

NEWS SUMMARY

GENERAL

Algeria Minister mourns quake deaths urged

Algeria has declared a week of national mourning after the earthquake which devastated parts of El Asnam on Friday.

New tremors shook the city yesterday as rescuers tried to reach hundreds of victims who still seemed to be alive.

It is still impossible to obtain an accurate assessment of the casualties; rescue workers said there were still many bodies to be recovered. Back Page

West End blasts

Two explosions within half an hour rocked premises in London's West End last night. The blasts happened in the Turkish Airlines office in Conduit Street, off Regent Street, and the rear of the Swiss Centre, in Wadour Street. One was believed buried.

Rightist stabbed

Mark Fredriksen, leader of the extreme Right-wing European Nationalist Groups (FANE), was one of two men wounded in Paris by a clandestine Jewish group. Fredriksen was stabbed in the thigh and received hospital treatment.

Schmidt attack

West German Chancellor Helmut Schmidt accused East Germany of "fundamentally violating" its political relations with West Germany by revising currency regulations for West German visitors.

Blaze probed

Police were investigating a fire which caused about £2m damage to a South Wales factory that produces car bumpers for BL Arson is suspected.

Ulster car bomb

Seven people, including four policemen, were slightly injured by a car bomb explosion outside police station in Co. Down, Northern Ireland. The Provisional IRA claimed responsibility.

Free apples week

Britain's fruit farmers plan to give away thousands of Cox apples this week to Londoners—including Mrs. Thatcher—in a campaign against French Golden Delicious imports.

Charity drive

The charity Help the Aged launched a campaign to raise £1m to provide extra care for the old and frail.

Dissident 'ill'

Jewish dissident Anatoly Shcharansky, serving 13 years in a Soviet labour camp on spying charges, is in hospital with severe stomach pains, dissidents said.

Mining accident

Seven black miners still missing after a gold mine accident south of Johannesburg are feared dead. Three bodies have already been recovered.

Stuntman's feat

A stuntman at Hertfordshire race track met his death driving a Jaguar XJ at 120 mph over 25 parked cars—believed never to have been attempted before—then received minor injuries after hitting another parked car.

Briefly . . .

Soviet seaman left Tokyo for the U.S. where he is being granted political asylum.

Forest fires destroyed thousands of acres of woodland in Eastern Spain.

Passenger on remand at Oxford jail was found dead in his cell.

BUSINESS

Minister for small companies urged

BY RICHARD EVANS, LOBBY EDITOR

OPEN WARFARE erupted yesterday between Left and Right wings of the Labour Party over Mr. James Callaghan's imminent decision on whether to resign or to continue as leader until a new electoral method is devised early next year.

More than 60 MPs from the Party's right and centre sent a dramatic message to the Shadow Cabinet insisting on maintaining their right to elect their own leader irrespective of the controversial conference decision to construct a broader electoral college.

Left-wingers countered by urging Mr. Callaghan to stay. They are also calling for an emergency meeting of the Party's National Executive Committee to spell out procedures for electing the leader, whom they insist would then have to submit himself under the new rules.

The decision that Mr. Callaghan must make on his future remains at the heart of the conflict now gripping the party. His decision will not be known for certain until Wednesday's meeting of the Shadow Cabinet.

FRENCH FRANC returned to the top of the European Monetary System at the end of last week, despite suggestions that France may incur a record trade deficit with West Germany this year. The Dutch guilder and the Irish punt were also firm, followed by the Danish krone. The D-Mark continued to trade in the lower reaches of the EMS, above the Belgian franc and Italian lira. Italy's political and economic problems again depressed the lira, while the resignation of the Belgian Government led to further support by the authorities for the Belgian franc. Foreign exchange trading was generally quiet, but the Belgian National Bank probably gave more support to the franc than the estimated EFT 3bn the previous week.

THE TUC will warn the Government of widespread unrest

BY RICHARD EVANS, LOBBY EDITOR

THE TUC will warn the Prime Minister tomorrow of widespread social and industrial unrest if unemployment continues to rise as a result of the Government's failure to adopt more flexible policies. But Mrs. Thatcher last week pledged to the Conservative Party conference that she would maintain the Government's economic strategy.

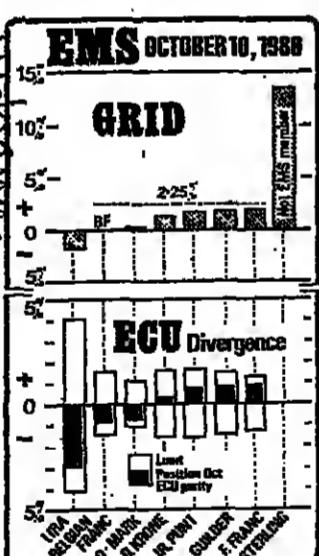
There is virtually no prospect of agreement at what will be the first meeting between her and the TUC General Council since she gained office 18 months ago. But Ministers are anxious that a dialogue should be launched and maintained.

The Government will look for signs that the trade union movement is ready to recognise that there are elements it could contribute even against the background of current economic policies.

• TURKEY devalued its lira by an average 3 per cent against the dollar and 15 other major currencies, putting the dollar rate at \$2.7 lira (80.0). It was the country's 12th devaluation this year.

• STATFORD oilfield loading buoy completion could be delayed by a year after a dispute over construction costs. Page 3

• BRITISH STEEL Corporation chairman Ian MacGregor told the Iron and Steel Trades Confederation that he has no plans for further plant closures and redundancies. Page 3



These charts show the two constraints on European Monetary System exchange rates. The upper chart, based on the ECU, defines the cross rates from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each currency's divergence from the European Currency Unit (ECU), itself a basket of European currencies.

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Callaghan given conflicting advice over resignation

BY RICHARD EVANS, LOBBY EDITOR

by the Right to ensure Mr. Healey's election, the widespread assumption remains that he intends to tell the Shadow Cabinet that he plans to retire next month after five years as leader.

The escalation of the infighting yesterday was caused by the desire of the Right to see Mr. Healey installed before a new formula can be devised by the so-called "Dirty Dozen" Right-wingers, the MPAs declare that the Parliamentary Labour Party had a duty under its standing orders to elect its leader, either when a vacancy occurred or when each new session of Parliament began.

"The time has come for Labour MPAs to make clear that the system of election for the leader of the party in Parliament is a matter of clear principle—not of expediency," they declare.

Significantly, the message was signed by many Shadow spokesmen and MPAs from the uncommitted centre as well as from the Right-wing Manifesto Group.

But he offered no firm promises of extra spending cuts to appease critics in the City and within his own party who believe that Government borrowing may well exceed targets for this year and next.

The Chancellor's overall message was delivered in distinctly guarded tones — was that the Government was sticking to its economic policies and would eventually achieve results.

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It is certain to increase the bitterness of the leadership battle should Mr. Callaghan go.

Mr. Rodgers, shadow defence spokesman, said yesterday he believed it was now in the best interests of the party for Mr. Callaghan to announce his retirement.

The Right believes Mr. Callaghan has already given away too much ground to the Left, and that a more aggressive and

determined leader should take his place as rapidly as possible.

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the so-called "Dirty Dozen" Right-wingers, the MPAs declare that the Parliamentary Labour Party had a duty under its standing orders to elect its leader, either when a vacancy occurred or when each new session of Parliament began.

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Pay rise target 'below 10%'
By David Marsh

THE Government's cash limits on public spending now under review will aim to restrict increases to public sector pay to less than 10 per cent next year. Sir Geoffrey Howe, the Chancellor of the Exchequer, said yesterday.

In an interview on ITV's "Weekend World," Sir Geoffrey once again stressed the importance of reducing the level of wage settlements in both the public and private sectors this winter and warned that excessive pay increases were "destroying jobs."

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Saudis fear subversion by pilgrims

BY OUR JEDDAH CORRESPONDENT

SAUDI ARABIA has threatened to crack down on Moslems who use this year's annual pilgrimage to the Holy City of Mecca for political subversion.

It is now clear that the pilgrimage, which starts in four days' time, is already being turned into a low-key political rally, a fact confirmed by senior Saudi officials who are becoming increasingly concerned about the Kingdom's internal security.

The Saudis have been extremely nervous about internal security ever since last year's Mecca siege in which at least 500 people died in a major challenge to the regime.

The Government believed that the seizure of the Grand Mosque was at least partially inspired by the hopes of support from the Ayatollah Khomeini's fundamentalist regime in Iran.

In a statement of extraordinary frankness, Prince Naif, the Interior Minister, admitted on Saudi television last Friday that Moslems ostensibly in the Kingdom for the pilgrimage were indulging in "politically motivated activity."

He said that the security services had discovered "isolated instances of the distribution of pictures, pamphlets and other literature."

Diplomats in Jeddah were surprised at the public sounding of these alarm bells. They conclude that Prince Naif, who warned of "severe treatment" for activists, was attempting a pre-emptive strike against potential troublemakers.

However, it would be misleading to put too much store by the number of foreigners in the country for the pilgrimage. The potential for trouble is ever present because the Kingdom plays host to vast numbers of expatriate workers from both Moslem and non-Moslem countries.

Other Gulf War news, Page 2; Land links a poor alternative, Page 4

But, as Britain, the U.S. and France have discovered, there is no shortage of Iranians elsewhere in the world with fundamentalist beliefs. Prince Naif said on television that he hoped the war would not "have its influence within the Kingdom."

Arab oil exporting countries who met in Vienna last September decided not to increase oil production rates, fearing an increase would cause a glut in world markets and force price decreases.

The oil ministers of Qatar, Kuwait and the UAE met yesterday in the Saudi Arabian summer capital of Taif, the official Saudi news agency reported.

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OVERSEAS NEWS

Iraq's oilfields 'almost unscathed'

NICOSIA — Iraq's oilfields have emerged relatively unscathed from Iranian air attacks so far, though oil terminals and a crucial pumping station damaged by the attacks will take weeks or months to repair, a Middle East oil review reported yesterday.

The authoritative Middle East Economic Survey said it was possible to make an interim evaluation of the damage on the basis of reliable information received in the past week.

Iraq's southern oil terminals at Kher al-Amaya, Min al-Bakr and the ancillary installations at Fao had sustained damage "likely to take several months to repair." The oilfields themselves had "escaped" relatively unscathed.

In the north, the oilfields and production facilities were "essentially intact." But the main pumping station for both of Iraq's pipelines to the Mediterranean has sustained damage which would take several weeks to repair.

But even with the Mediterranean pipeline operating at full capacity, the flow would be restricted to 700,000 barrels per day to the Turkish port of Ceyhan. With 100,000 barrels per day retained for Turkish refineries this would leave only 600,000 b/d for export, the review said.

In Baghdad the Central Bank governor, Mr. Hassan Majabi, said Iraq had enough gold reserves and foreign currencies to endure another full year of warfare.

Iraq's gold reserves hit an all-time peak last Tuesday, Mr. Uzmi told an interviewer on Iraq's state television.

Iran's revolutionary leader, Ayatollah Ruhollah Khomeini, yesterday issued a decree putting all matters related to the war with Iraq into the hands of the Supreme Defence Council, a body that oversees defence matters, according to Radio Tehran.

The radio, monitored by the BBC, said the council would co-ordinate all armed forces Agencies.

Ships crowd Aqaba with supplies for Baghdad

BY ROGER MATTHEWS

DOZENS OF ships crowded the small Jordanian port of Aqaba yesterday and lorries packed the quayside to maintain Iraq's only direct supply route from the outside world. Aqaba, normally noted as much for tourism as for strategic importance, has taken on growing significance for Iraq as the war with Iran drags on and its own port facilities in the Gulf suffer further damage.

King Hussein of Jordan, who has ordered the mobilisation of heavy transport vehicles to assist the movement of supplies from Aqaba, flew back to his capital Amman yesterday from Saudi Arabia, where he had been holding talks with King Khalid.

The Jordanian monarch is said to be alarmed by the duration of the fighting, and is anxious to avoid further splits developing in the Arab world. He is the only Arab leader to have pledged his total support for Iraq but must be fearful of the price his own country might have to pay.

The Jordanian Government yesterday issued a stern warning, against hoarding of basic foodstuffs and shopkeepers in

Aqaba are already running short on items such as rice and sugar. Aqaba port normally handles about a third of its present traffic and shippers for Jordan are understood to have been given a lower priority to assist the Iraqis.

Apart from the congestion at Aqaba, many Jordanians are convinced that some supplies are being diverted from their country to Iraq. However, workers in the port explained that Iraqi refrigerated lorries, which were much in evidence, were being loaded with ammunition and artillery shells, rather than food.

There is no evidence that substantial military hardware is passing through Aqaba but army vehicles could be seen on the deck of one of the more than 35 ships waiting to unload. At the office of the Iraqi Transport Company, near the port, officials refused to discuss how many lorries were loading for Baghdad.

Jordanian officials in the town, while slightly anxious about the reasons for two new anti-aircraft gun emplacements which have been made near the port in the past fortnight, point to the important role that Iraq was playing in developing the area.

Apart from substantial direct financial aid, to the Jordanian Government, Iraq has agreed to invest some \$54m in developing Aqaba port and industries and in building a new cross-desert road to Baghdad.

Under the power plant deal, it is suggested that Britain would sell to Greece two 350 MW coal-fired power stations at a price of about £150m, with the National Coal Board as guarantor of last resort for the supply of substantial quantities of coal each year.

The coal would be procured and delivered by a third party, with no restrictions on origin, but with a National Coal Board undertaking to meet any emergency.

At the same time, Britain would undertake to supply North Sea oil.

Improved British proposals on guaranteed continuity of coal supplies, said to represent the final offer, were submitted to the Greek Ministry of Co-operation in advance of Mr. Nott's visit.

Assuming fairly rapid completion of a contract, construction of the two power plants could begin next spring, with completion in just over four years.

Mr. Nott is also said to be interested in sounding out the Greeks on how they view their own prospects in the European Community after next January's proposed accession.

He will also hold talks on Anglo-Greek trade and public works projects in which Britain would like to participate. These include electrification and modernisation of the Greek rail network, port development, the new Athens international airport, the Athens metro, a petrochemicals complex in Missolonghi, and a Greece-Egypt underwater cable.

Problems for experts, Page 4

rhetorical, Iraq cannot be absolutely sure that Syria will not take advantage of any setbacks President Saddam Hussein may suffer in the war.

Syrian officials have strongly denied that weapons from Syria have been sent to Iran and, while accusing President Hussein of treason, said "nothing will drag Syria into a marginal battle unless we are forced to."

The Syrian attitude is that any action against Iraq will only be in response to Iraqi provocation and for the moment officials rule out closure of the border, a significant road and rail link for Iraq.

A Syrian military delegation has stayed behind in Moscow, following last week's signature

of a friendship treaty between Syria and the Soviet Union, to tie up the details of what could be a major new arms package for the regime of President Hafez al-Assad.

The Syrian delegation is headed by Lieutenant-General Mustapha Tlass, the Defence Minister, and 30 senior staff officers and is in Moscow, according to officials in Damascus, to "finalise military agreements."

Already facing internal dis-

sidence, growing hostility from Jordan, and with part of its army tied down in Lebanon, the Syrian leadership has been extremely worried that Israel might launch an offensive into Lebanon which the Syrian armed forces would be unable to repulse.

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Greece-UK coal and power deal likely soon

By Our Athens Correspondent

MR. JOHN NOTT, Britain's Secretary of State for Trade, is due to start two-day talks in Athens today which could lead to agreement on a deal involving construction of two coal-fired power stations and guaranteed supplies of coal and oil.

Mr. Nott, who will be following up an official visit to Athens last month by Mrs. Margaret Thatcher, Britain's Prime Minister, will also be discussing possible British military sales to Greece, and participation in a number of public works projects.

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Problems for experts, Page 4

Australian election moves into the marginals

BY DAVID HOUSEGO AND PATRICIA NEWBY IN SYDNEY

THE closely-fought Australian Election campaign yesterday moved into the outer suburbs of the major cities, whose votes will determine the outcome of next Saturday's poll.

Mr. Malcolm Fraser, the Prime Minister, rebounding from last week's shock that his Liberal coalition Government was running behind Mr. Bill Hayden's Labor Party in the opinion polls, spoke aggressively in the outer western districts of Sydney yesterday.

His theme was that a Labor victory would bring back the high inflation and ballooning Government expenditure of Mr. Gough Whitlam's 1972-73 Labor Administration.

Mr. Hayden campaigned in the marginal electorates of Melbourne, denouncing Mr. Fraser as "remote, indifferent, and careless of the problems of all Australians."

Mr. Fraser's unexpected success so far has owed much to the popularity of Mr. Fraser which the election has revealed.

Mr. Hayden has built on this, while projecting his own Labor Party as nurturing the interests of the average Australian family, with promises of tax cuts, a petrol price freeze, and improved social welfare.

Between them account for 6m of the country's 14m population.

Mr. Fraser cancelled a tour of

Queensland this weekend to pitch for support in marginal seats of the two main commercial cities.

Mr. Hayden retains a short

ruthless to those who stumble, should decide that he is an electoral liability, there could be a move to oust him from the leadership before Australia's next election, due in three years' time.

Mr. Hayden came across as the more nimble and relaxed performer on a 60-minute nationwide television show last night, in which the two leaders were interviewed separately.

In a campaign largely fought on television and radio, the Labor Party's TV presentations have been more skilful in touching on urban disappointments that living standards have failed to rise in the way middle Australia has learned to expect.

The Liberal Party's presentations have been substantially revised for the last few days of the campaign, to play down the image of Mr. Fraser's strong personal leadership that had set their tone at the beginning.

In Sydney yesterday, Mr. Fraser tore into the Labour Party programme, as involving additional expenditure, which would require additional taxation, a larger budget deficit, and a further expansion of the money supply. "No wonder they will go to their old favourite of Mr. Whitlam's," the printing press, he declared, amidst cheers from a gathering of party stalwarts.

Opinion poll backing for Labor fuels stock market shakeout

BY JAMES FORTH IN SYDNEY

LAST WEEK was an extraordinary one for Australian share markets. In mid-week, investors suddenly panicked and dumped stock across the board. On Tuesday, the Sydney All-Ordinaries Index plunged 28 points, or 2

OVERSEAS NEWS

A battle for the undecided majority

BY PATTI REALI, A NATIVE OF NEW JERSEY

TO MANY outsiders, New Jersey is that place with a motorway lined with fuming oil refineries on the way to New York. In reality, it is closer to its other official name, the garden state, a mainly suburban, ethnic hodge-podge. But it is also, in terms of population, the ninth-largest state in the Union, and thus a prime target for the Presidential candidates as they struggle for the 17 electoral college votes New Jersey offers.

Less than a month before election day, less than half the voters in the state say they know who they want in the White House. New Jersey is known primarily as a Democratic state, with the governorship, both Senate seats and nine of 12 House of Representatives seats plus the state legislature in party hands. It has, however, gone Republican in the last three Presidential elections.

It has never been particularly kind to President Jimmy Carter, who lost Democratic primaries here in 1976 and 1980 and the Presidential election in 1976, getting 47.9 per cent of the vote to President Gerald Ford's 50.1 per cent.

This year, Mr. Ronald Reagan's New Jersey strategy

is to lure disaffected Democrats from the ranks of the ethnic and traditional blue-collar vote who became Democrats in the Roosevelt years and who imbibe politics as they take their religion. Mr. Reagan kicked off his campaign proper last month in that bastion of Democratic politics, Hudson County. Shri sleeves rolled up, the Statue of Liberty and the Manhattan skyline towering behind him, the Republican candidate celebrated the American worker and the immigrant (with the father of the Polish strike leader, Mr. Lech Walesa, at his side) by attacking Mr. Carter's record as "a litany of despair, broken promises, of sacred trusts abandoned and forgotten."

Mr. Reagan has cause for optimism still. A poll taken on

Reagan, Carter neck and neck

U.S. ELECTIONS



PRESIDENT CARTER and Mr. Ronald Reagan are running neck and neck in seven big states, according to regional surveys published yesterday. David Buchanan reports from Washington.

The seven—Texas, Pennsylvania, Illinois, Ohio, New Jersey, Florida and Michigan—together provide 159 of the 270 electoral college votes needed for victory on November 4. A further imponderable shown by the surveys, published by the Washington Post, is that in each of these extremely close races Mr. John Anderson, the independent candidate, has support that is several times as large as the margin (3 per cent or less) separating the Democratic and Republican contenders.

The number of voters openly undecided ranges from 16 per cent in Texas to 27 per cent in New Jersey. But overall, 22 per cent of voters expressing a preference for one of the three candidates said they were "not at all strongly" behind their choice.

So, by the Post's polls,

nearly 40 per cent of the

electorate in these seven key states may be open to persuasion in the campaign's final three weeks. This confirms the striking feature of the 1980 election: never have so many Americans left it so late to make up their minds.

The Washington Post yesterday surveyed one other state, New York, which with 41 electoral votes has the second heaviest weighting after California. Its poll there gave Mr. Carter a 36 to 28 per cent lead over Mr. Reagan. But even that is not conclusive, because the survey also showed that no

October 1 by the Eagleton Institute of Politics at Rutgers University placed him one point ahead of Mr. Carter, 33 to 32.

But the survey found that of the most likely voters Mr. Reagan's lead was 36 to 31 per cent. The independent candidate, Mr. John Anderson, got 22 and 21 per cent respectively by both measurements, with the balance undecided.

But Mr. Cliff Zukin, director of the poll, points to "an incredible amount of dissatisfaction with the choice of candidates." He found that, when asked if they were firm in their support for their preferences, fully half the Anderson con-

tингent said they might change their minds, as did nearly a third of both the Carter and Reagan ranks. He estimated that as many as 46 per cent of the potential vote was still undecided, which way to go, a staggeringly large figure so late in the race.

Mr. Reagan's strategy of going for the blue-collar vote may be working less well than he had hoped. Four years ago, Mr. Ford won 40 per cent of this sector, but an internal poll taken by the state AFL-CIO organisation of its members recently showed Mr. Carter's support running at about 75 per cent.

It is the suburban vote which,

fewer than 54 per cent of American Jews, who count a lot in New York, are bewildered as to whom to vote for.

Meanwhile, the campaign fray has continued strong over the weekend, with a bevy of Reagan national security advisers accusing Dr. Harold Brown, the Defence Secretary, of "hiding the truth" about U.S. military readiness.

Their charges focused on a Defence Department directive leaked to the Press last week, which told officers that Dr. Brown had "expressed concern that our current readiness report formats only emphasise the negative aspects of our military readiness." The Reagan camp is accusing the Carter Administration of again trying to conceal from the public and Congress the true state of defence disrepair.

The Republican candidate has also unleashed attacks on President Carter for stifling the U.S. economy with Government rules calling the President "the biggest regulator in history." It is how ever, not a very plausible charge.

Democrats still enjoy a number of advantages in the state.

Registered party members outnumber Republicans by two to one. Realising the appeal to the state of the Kennedy name, the Carter strategists have drafted Mr. Jerry D'Amato, a close associate of the Senator, to direct their campaign. Moderate

Republican suburbanites, seeing Mr. Anderson faltering, may find Mr. Reagan's conservatism too much too stomach.

The local feeling is that Mr. Thompson will be returned on November 4, but his coat tails, dragging Mr. Carter with him, may be much shorter than usual.

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WORLD TRADE NEWS

A prolonged Iran-Iraq conflict will pose mounting problems in the supply of goods to the warring nations, Patrick Cockburn writes

Land links a poor alternative to Gulf ports

THE CAPACITY of Iran and Iraq to wage a prolonged war will be limited by the difficulty both sides have in routing their essential imports away from the battle zone. The two countries are heavily dependent on the Gulf ports and their only real alternative is use of the long overland routes.

Last year, for instance, Iran imported some 12m tons of goods, some two thirds of which came through Bandar Khomeini and Khorramshahr. Last July alone 176,000 tons were imported through the Soviet Union via the Volga-Don canal system, and then across the Caspian to Bandar Ezzeli on Iran's northern coast. Unfortunately for the Iranians, this ceases to be possible as soon as the Russian winter freezes up.

Nor is it feasible to bring goods overland from Pakistan, so the two overland routes left are via Soviet Union by road and rail or through Turkey. Congestion at the Jufra rail crossing from the Soviet Union limits capacity to about 150 wagons a day. The railway from Turkey does not work well. Earlier this year its route was blocked by Kurdish guerrillas, but even without such difficulties goods have to be ferried across Lake Van. The best route is therefore, the overland road through Turkey via Bazargan. Turkish truck drivers are often no longer prepared to cross into Iran since a parking area full of their lorries was recently hit by an Iraqi bomb.

The Iraqis have a similar problem. Last year 6.18m tons of imports came through their two southern ports of Basra and

Umm Qasr. Both were heavily congested and Kuwait port was often used for transhipment. New routes will have to be found.

What alternatives are available? The Iranians can try to tranship cargoes from the other side of the Gulf, but this is an expensive business and bulk goods will be difficult to handle. Other routes can be used, but none offer anything like a total replacement. For instance goods could be brought through the Soviet Union via the Volga-Don canal system, and then across the Caspian to Bandar Ezzeli on Iran's northern coast. Unfortunately for the Iranians, this ceases to be possible as soon as the Russian winter freezes up.

The Bulgarians are also crucial in supplying Iraq, although here there are more options available. "For the British exporter there are no

smags to either country, and the surcharges to either country are limited," says Mr. Philip Stevenson, director of Davies Turner which has wide experience of freight to both countries.

The alternative overland routes for the Iraqis run through Kuwait, although the Kuwaitis do not appear to want to see their port used as a replacement for Umm Qasr and Basra. Aqaba in Jordan can also be used although there is a long overland haul to Baghdad. The Jordanians have mobilised more of their trucks to get goods to Iraq.

The trans-Syria route to Iraq

from Latakia and Tartous has become increasingly popular over the past couple of years, with much of the traffic coming from the Greek port of Volos. The problem is that the Syrian ports are not very efficient and Volos was congested even before the war began.

For both Iran and Iraq the route through Turkey can best increase its capacity, but it will never be able to replace the Gulf ports. For the moment both sides appear to have sufficient stocks of food to manage for several months, but shortages of other bulk goods such as cement should soon become apparent.

For the Iraqis the problem of supplying the population with food and the army with reinforcements and equipment does not end at the border. Sustained attacks on the remaining refineries, or the pipes supplying them with crude, could leave Iraq short of petrol and thus unable to distribute goods.

Since U.S. sanctions were introduced the Iranian bureaucracy had shown little inclination to reduce its cumbersome and time-consuming procedures.

Iraq had the advantage of knowing when the war was going to begin and has always held large stockpiles of essential commodities. Its communications could be further impeded if Syria were to close its border, thus cutting not just road links but the Istanbul-Baghdad railway which runs through 90 kilometres of Syrian territory.



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Exports of £700m stand in jeopardy

BRITISH COMPANIES which failed to win big construction contracts in Iran and Iraq in the years after the 1973 oil boom are now thanking their luck but a long war between the two states will still endanger exports likely to have totalled over £700m this year.

The biggest UK contract now in danger is the sale of knocked down car kits from Talbot to Iran National. Despite bombing of the main Iranian assembly plant, production still continues but it will clearly be impossible for Talbot to export any more kits until the Gulf ports reopen.

In future exporters will have to depend on the overland routes if they wish to do any business at all.

A short war will corrode but not completely break business links between the UK and Baghdad and Tehran. What businessmen most fear is that the war will be prolonged leading to the same sort of insecurity which has bedevilled Lebanon.

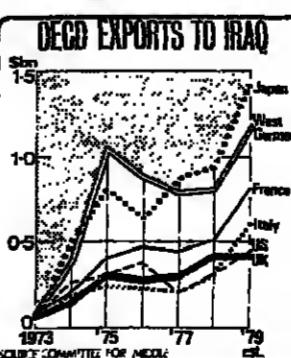
Over the past two years British companies have increased the attention they pay to Iraq. As the world's second largest oil exporter with 13m population, Iraq had ambitious development plans and the money to pay for them. Nevertheless other European countries and Japan had ton tight a hold on the market to be easily dislodged; competition was fierce; Japan dominated the market for construction contracts, closely followed by West Germany.

Yet no single exporting country could ever be sure of a contract in Iraq. The Government likes to spread its imports amongst a wide range of suppliers, sometimes linking this to oil purchases. Brazil, for instance, purchased some 500,000 b/d of oil but in return won a \$1.2bn railway construction contract. Three years ago new orders from West Germany were embargoed because the Iraqis said the Germans were not purchasing enough oil.

The British suffered the additional disadvantage of a trade boycott in 1978 following the expulsion of Iraqi diplomats from London. Most of the orders won by UK companies were for less than £1m. Winfrey failed to win a big railway contract and in August Plessey complained vigorously that it had lost a £400m contract for electronics to the French because of a lack of sufficient Government backing.

The French Government has made a sustained effort to secure its position in Iraq. Dassault sold aircraft, and last year Fougerolle won the contract for the new Baghdad international airport. In the past six months the French have also won orders for diesel electric locomotives (£60m), a cement plant (£63m) and the construction of a number of electronics and telecommunications factories (£406m).

Such business will not be endangered by a short war, and air raids, however dramatic, have so far done little material damage, but a long conflict will put all Iraq's economic plans in jeopardy. In the event of peace the country's high reserves will probably be spent first on military purchases to replace war losses, secondly on reconstruction of the oil industry and only thirdly on industrial and infrastructural projects.



EEC drive pays off for UK shoemakers

BY PAUL CHEESERIGHT

UK FOOTWEAR exports this year are running 7 per cent ahead of last year as the industry, frozen out of traditional markets, has shifted more of its attention to the EEC.

Export sales in the first seven months of this year were 10.74m pairs, worth £273.5m, the British Footwear Manufacturers Federation said. Total exports in 1979 were 18.8m pairs, only slightly more than the 17.38m pairs sold in 1972.

But the small increase over the last eight years reflects a shift in pattern of trade, as quotas and tariffs have been placed to protect markets in both developed and developing countries.

UK sales to Canada, for example, fluctuated around 1m pairs between 1972 and 1977, but quotas held back exports to 500,000 pairs in 1979 and 137,000 pairs in the first seven months of this year.

Sales to Nigeria dropped from 1.4m pairs in 1977 to 173,000

pairs last year.

The slack has been taken up by the EEC, the subject of a marketing drive, especially over the last three years. Sales in the first seven months of this year were 14 per cent higher than in the comparable period of last year at 6.4m pairs, the Footwear Manufacturers Federation said.

Last year sales were 11.03m pairs, against 11.87m in 1972, emphasising the change in the marketing drive. North America, earlier of major importance, is now afforded lower priority.

The Netherlands was chosen as the gateway to the EEC and is now the UK industry's biggest single market. Three years ago it was twelfth. Within the EEC it is followed by West Germany, but Italy is also a growing market.

The UK industry is scoring in Italy with its traditional reliance on mixed climate shoes of classical style, thus contrasting with the lighter style favoured by the Italian industry.

Hong Kong pushes up toy sales despite recession

BY PHILIP BOWRING IN HONG KONG

DESPITE RECESSION in major markets, Hong Kong's toy exports are continuing to boom, according to figures released during the sixth Hong Kong Toy and Gift Fair, which ended at the weekend. Hong Kong is the world's largest toy exporter.

Total exports of toys and games in the first seven months of the year increased by 33 per cent to HK\$3.56bn (£225m), representing a rise in real terms of around 24 per cent. This follows a remarkable 54 per cent gain in exports in Hong Kong dollar terms in 1979, and puts toys back near the forefront of Hong Kong's growth industries after a period of relatively slow growth in the mid-1970s.

However, some trade officials are cautioning against over-optimism. They warn that a sharp slowing in export growth could emerge in the last five months of the year, which are

the main shipment period. And there is a suggestion that the boom in demand for electronic toys, which has particularly benefited Hong Kong, may be waning.

The most remarkable fact about this year's continuing boom has been sales to the U.S. which accounts for nearly 50 per cent of total exports. Sales grew 33 per cent in the first seven months in line with overall growth despite the poor state of the U.S. economy. Hong Kong has about 40 per cent of the U.S. toy import market.

Recession has, however, had an impact in the second largest market, the UK. Sales in the period actually dropped 2 per cent to HK\$241m and the UK share of Hong Kong exports fell to 7.2 per cent from 9.7 per cent.

Hong Kong's next largest toy markets, West Germany and Italy, however, showed 25 per cent and 30 per cent growth.

SHIPPING REPORT

Brokers look forward to dry cargo rates rise

BY OUR SHIPPING CORRESPONDENT

AS A general rule of thumb, rates tend to be a hull point for the world shipping industry. They tend to lead to stockpiling of goods and the disruption of established trade flows often leads to higher freight rates since more ships are needed to move the same amount of cargo.

However, the current conflict between Iraq and Iran has not been good for the world shipping industry. Bunker prices have been rising, which hits shipowners' margins, whilst freight rates in the oil markets

have collapsed and in the dry cargo markets, rates have certainly softened.

Denholm Coates reports that rates in the East have been easing over the past week but, because owners are not keen to send their ships into the weaker Far Eastern freight market, rates for voyages out to the East from the U.S. Gulf have been hardening by up to \$1 or so.

However, looking slightly further ahead, brokers are optimistic that dry cargo rates, at least, will strengthen.

World Economic Indicators

	RETAIL PRICES				% change over previous year
	Aug. '80	July '80	June '80	Aug. '79	base year
W. Germany	122.7	122.6	122.4	116.4	5.4
France	167.5	165.8	163.4	147.4	13.6
Holland	135.8	135.3	134.7	126.6	7.3
Belgium	136.6	136.3	134.7	128.5	6.3
U.K.	199.2	198.1	197.1	171.3	16.3
Italy	215.2	213.2	209.7	177.0	21.6
U.S.	154.7	153.5	153.6	137.1	12.8
Japan	137.9	138.1	137.8	126.9	8.6

Sources (all countries except Japan): Euromonitor

DIVIDEND INCREASED

The Board of Directors has increased the quarterly dividend rate from 60¢ to 65¢ for the fourth quarter of 1980, thus raising the anticipated annual dividend rate from \$2.40 to \$2.60. The increased fourth quarter dividend is payable December 9 to stockholders of record on November 7. This is the ninth consecutive yearly dividend increase. More than 232,000 stockholders will share in our earnings.

M.H. COVEY, Secretary

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Costs dispute leads to delay in building oil-loading buoy

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A DISPUTE over construction costs is likely to delay by a year the completion of an important piece of equipment—a loading buoy—for the large Anglo-Norwegian Statfjord oil field.

The buoy, to be used to load oil onto tankers from the Statfjord field's B platform, was being built by Aker, the Norwegian shipbuilding group. But the company suspended work on the project in August because of a dispute with the group of oil companies developing Statfjord.

Aker demanded Kr 115m (£102m) in addition to the contract sum of Kr 220m (£19m), arguing that the job had turned out more costly than expected because of the welding standards demanded by the Statfjord group. The oil companies refused to pay. Aker

has since decided not to complete the buoy.

Statfjord, the Norwegian state oil company and largest shareholder in the field, said at the weekend that the group had been looking at other yards which might complete the work. The contract might be awarded outside Norway.

The buoy was due for completion next summer but now seems unlikely to be delivered before 1982. However, this need not delay the start of production from the B platform, which is due to come on stream in late 1982.

The Statfjord field, the largest discovered in the North Sea, began production last year from its A platform. The Statfjord group decided earlier this year to build a third platform—C—to exploit the field, with production starting from that field in 1986 or 1987.

'Calamitous battles' of journalists' union

FINANCIAL TIMES REPORTER

THE NATIONAL Union of Journalists appeared to have abandoned the rights and interests of individual members "in favour of a series of calamitous battles fought on the wrong issue at the wrong time," Mr. Nicholas Herbert, editorial director of Westminster Press, told the Guild of British Newspaper Editors yesterday.

Mr. Herbert, who was elected president of the guild at its annual meeting in Stratford-upon-Avon, said that he found it difficult to be particularly optimistic on the union front.

The industry could do with a strong, sensible journalists' trade union which would bargain hard, embrace new technology on appropriate terms and respect the need for its members to be non-

conformist and independent

political, ineffective leadership" which allowed various pressure groups, speaking in its name, to act unreasonably.

Mr. Herbert said that attempts to impose upon journalists "the totalitarian concept of the closed shop" would require the continued and implausible opposition of editors. "Here the Government's new law and draft code of conduct may be helpful but we should recognise that the determination of employers to support the rights of individual journalists is the best safeguard."

Mr. Herbert also said the newspaper industry is "appallingly complacent" about the declining quality of service it gives its customers.

Protest to Brussels over enforced participation

AN Institute of Directors delegation from Britain will meet Vicomte Etienne d'Avignon, Common Market Industrial Commissioner, at EEC headquarters in Brussels today to discuss two EEC directives which the IOD strongly opposes.

The two are the Fifth Directive, which recommends compulsory structures for worker participation in larger UK companies, and the Vredeling Draft Directive, which proposes wider disclosure of information to, and consultation with, workers by multinational companies and national companies with as few as 100 employees.

The IOD delegation will comprise Mr. Walter Goldsmith, the institute's director-general, Mr. John Jackson, director of Philips Industries and a member of the IOD company affairs committee, and Mr. Andrew Hutchinson, IOD principal re-

search executive.

Mr. Goldsmith commented: "It is important that the commissioner understands the great concern, and what we believe is strong and growing opposition to the implementation of the EEC Fifth Directive in the UK."

"Our members are making great voluntary efforts to improve communication, consultation and participation with their work forces. But they are totally opposed to the imposition of works councils or any other formalised structures within their companies."

Mr. Goldsmith said: "We also intend to express our concern about the Vredeling proposals. As on the Fifth Directive, voluntary initiatives by companies on disclosure of information to employees is infinitely preferable to enforced legislation."

Aerospace trade surplus cut by higher jet imports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK aerospace industry earned a surplus of £27.8m on its balance of payments during the first seven months of this year. Exports totalled £976.7m and imports just under £949m.

Although the industry's export performance continued at record levels for the first seven months, it was substantially offset by continued high imports of transport aircraft from the U.S. to meet the needs of UK airlines. This is a trend likely to continue.

During the period, there were further imports of McDonnell Douglas DC-10 and Boeing 747 jet airliners to meet the needs of British Caledonian, Laker and British Airways respectively. There were also further imports of short-haul Boeing 737 jets for airlines such as Britannia, Air Europe and Orion.

Total imports of complete aircraft amounted to more than £391m, while exports of complete aircraft from the UK (including BAe 146 turbo-jets and BAe 125 executive jets) amounted to about £113.6m.

The engine side of the aerospace industry showed a much brighter picture. Total exports of aero-engine and parts, and of refurbished engines amounted to more than £415m.

Imports amounted to nearly £303m.

Policyholders' Protection Act opposed by insurers

BY ERIC SHORT

THE British Insurance Association is still opposed in principle to the Policyholders' Protection Act, 1975, and can see no justification for extending or broadening its scope.

If an insurance company runs into financial trouble so that it cannot meet in full its liabilities, then individual policyholders, under this Act, have their insurance contracts protected for at least 90 per cent of the contractual benefits. The cost of such rescue operations is borne by a levy on other insurance companies.

The implementation of the Act is under the control of the Policyholders' Protection Board. Since 1975, the board has operated a rescue scheme for the policyholders in the life company, Capital Annuities, and

has underwritten the rescue scheme for another life company, Fidelity Life.

It could soon become involved with Underwriters National Assurance Company, against which a compulsory winding-up order has been served.

The Act requires a report of its workings for the first five years and the Department of Trade has invited comments from interested organisations.

The BIA, in its evidence, considers that the Act in principle weakens the responsibility of policyholders from selecting the care in choosing an insurance company, weakens the responsibility of insurance companies from prudent underwriting and weakens the DoT in performing its supervisory role.

Catering 'crusade' envisages 1m jobs

Financial Times Reporter

THE BRITISH catering industry could employ 1m more people, and so halve unemployment, says M. Jean Coull, the chef.

M. Coull, gold medallist and author of 18 gastronomy books, calls in a letter to Mrs. Margaret Thatcher, the Prime Minister, for:

- a return to tax relief on business entertainment;
- a tax allowance or free meals for workers;
- luncheon vouchers worth "at least £1.50"; and
- a better deal for the catering trade.

M. Coull pleads for a revitalised hotel and catering industry to boost the tourist trade and create "perhaps a million new jobs," and says he is trying to launch "a crusade to attract the school-leaving teenagers who may not be aware of the glamour and charisma which surrounds the position of chef or Gordon Bleu cook."

The industry had "an awful reputation" which the Government must help to improve. There was no proper scale of payment for chefs, cooks and other skilled workers. Wages, which ranged from £80 to £100 a week, were far too low.

Sector leader GKN, also Britain's biggest private steel maker, is shifting its gaze abroad. Hazel Duffy spells out the reasons.

Engineering an escape route

Profits to Dec. 31 1979 £101.4m	
Half year to June 20	
1980	£22.4m
Sales 1979	£136.1m
Sales half year	£1.067bn
Exports 1979	£292.8m
Employees	104,324
of which in UK	69,115
Capital employed	£1.050bn
1979	£1.050bn

IF THERE ever were any doubt about the severity of this recession, they were dispelled when GKN announced interim profits which were less than half those of a year before.

The fact that the UK's largest engineering group made no profit on its home market operations came as a major shock. And the City feared that the dividend cut would be a signal which smaller companies would follow.

The first half of 1980 will be followed by an even worse second half, particularly after the company has charged for redundancy and closure costs.

But Mr. Trevor Holdsworth, GKN chairman, is not one of the angry industrialists who are calling on the Government for special consideration.

GKN is a major contributor to Conservative Party funds—last year more than £30,000 went to the party and allied organisations—and Mr. Holdsworth continues to believe that the Government needs three years to make its strategy work.

He agrees, however, that the effects of the recession are uneven, and expects that "some worthwhile companies, which are not in high technology, will go to the wall." He also argues that the Government should allow interest rates to come down—GKN's short-term borrowings totalled £168.5m at the end of 1979, and will be

higher by the end of this year. Each one per cent drop in interest rates cuts about £1m off the group's interest payments.

GKN has for some years been concentrating on growth areas, and its policy is to withdraw from, or at least run down those activities where it is increasingly difficult to make a reasonable return.

At the same time, the group is committed to expansion overseas, particularly in motor components.

The value of the policy was demonstrated in the first half of this year, when almost all its £22.4m pre-tax profit came from overseas operations.

Mr. Holdsworth says the recession has not defeated GKN from this course. The company has speeded up the closure and slimming down of certain British operations and all major investment plans were reviewed: UK investment projects currently running at £60m to £70m annually will all survive, but some slowing down seems likely.

Overseas, investment will go ahead as planned. A second U.S. plant to make constant velocity joints (a vital component for front-wheel drive cars) is going ahead and a new factory is planned in France.

The successful outcome of

GKN's development work on the constant velocity joint during the 1970s has underlined the importance of spending on research and development.

All development work which

is sanctioned centrally will therefore go ahead, but again the worst may be over.

"I think we are in the eye

of the hurricane now, and that

by the middle of next year we

shall be on an improving trend."

The difference between this

and earlier concessions, how-

ever, is that the recovery for

many customer companies will

not be all that they had hoped.

GKN, for instance, has become

used to living with an ailing

British motor industry.

But this recession has also

brought a slump in demand for

components from, for example,

the tractor manufacturers.

The company is worried that

the multinationals which

are further slimming down

to weather this recession, and even

to derive some benefit from it.

Its huge redundancy pro-

gramme, however, will leave a

gap in parts of the West Mid-

lands which will take long to

fill.

Industry were inevitable given that the country has been paying out more than it has been earning.

But recession on the present scale is far from the best weapon for dealing with fundamental weaknesses. GKN has

made skilled workers redundant in spite of the fact that it will probably need them when demand picks up. At the same time, apprentice intake is probably being cut back (although Mr. Holdsworth adds that this is not a central directive to all divisions).

"Industry is therefore running a very great risk that skilled people will not be available in the right numbers after the recession," he says.

GKN is large enough to

weather this recession, and even

to derive some benefit from it. Its huge redundancy pro-

gramme, however, will leave a gap in parts of the West Mid-

lands which will take long to

fill.

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UK NEWS

Datsun dealers in quota protest

BY JOHN GRIFFITHS

BRITISH DATSUN dealers, after "unsatisfactory" talks with Datsun UK, have lodged protests in Tokyo against what they claim is the failure of other importers of Japanese vehicles to stick to the Society of Motor Manufacturers and Traders' informal marketing agreement with its Japanese counterpart, Jamsa.

Telegrams to Jamsa, the Japanese Ministry of Trade and Industry and Nissan (which makes Datsuns) claim that while each importer "has been allocated a precise number of cars to ensure that the market is not exceeded by the year end"—a reference to the agreed "prudent" Japanese market share of 11 per cent—"it appears that other Japanese importers do not appear to be subject to restrictions."

The dealers complain that they are being held rigidly to the agreement and will be on target for Datsun's agreed share of about 6 per cent but that other importers have already exceeded their quotas.

They base their claim on the following figures:

Datsun sold 102,395 cars in

the UK last year, when the total market was 1.7m units. This year, with the market forecast at 1.5m units, it is allowed to sell 95,500 cars. To date it has sold about 85,000.

Toyota's sales last year of 32,220, using the same formula, would allow it to sell about 29,000 cars this year. So far it has sold 30,765. Honda last year sold 17,847 and in the year to date has sold 21,345.

On paper, Honda has therefore made by far the biggest gain. But a spokesman dismissed the Datsun claims as "rubbish".

He said that Honda has "slashed" its supplies for the rest of the year and dealers would each get an average 13 cars per week. "That means that some of them are going to go to the wall."

Honda's sales last year were artificially depressed by a ban on logbooks (certification) problem which meant that 4,000 cars which should have gone to customers at the end of last year did not reach them until the New Year. This year's sales figure has therefore been inflated by the same amount.

Agency to curb media sexism planned

Financial Times Reporter

A NATIONAL agency to monitor the images of women presented by the media was planned at the weekend.

Women attending a conference in Edinburgh deplored the juxtaposition of semi-nudities with reports of sexual offences like rape.

Mr Julia Davidson, a newspaper columnist, said: "The National Union of Journalists, despite having a code of conduct which prohibits sexism, finds it difficult—if not impossible—to enforce." An agency was needed, with which the public could lodge complaints.

● AWAY DAYS: Eight per cent more Britons went abroad in July this year than in the same month last year, according to Department of Trade figures. Nearly 2m people spent £300m overseas, while 1.6m foreign visitors spent £405m in the UK.

● EARLY WARNING: A statutory system of public notice is needed to prevent farmers from destroying valuable features of the British countryside under the pretext of improving their land, says Mr Christopher Hall, the retiring chairman of the Council for the Protection of Rural England.

● FREE TRADE: The code of the Royal Institute of British Architects will be eased from January to permit trading by members in land or buildings, or as a property developer, auctioneer, estate agent or contractor, subcontractor, manufacturer or supplier to the construction industry.

Pound to 'maintain level until spring'

BY DAVID MARCH

THE POUND is likely to remain very strong for at least the next six months. It could even rise further from its present high levels if oil supplies tighten significantly as a result of the Iran-Iraq conflict, according to latest projections by a range of currency forecasting services.

The Henley Centre for Forecasting, in its monthly report on the UK economy out today, says that sterling is likely to remain at around its present 51-year high levels of \$2.35 to \$2.40 for another six months. The centre reckons it will probably weaken after that. However, the average year-to-year depreciation next year will be only about 4 per cent.

The Forex Research group predicts that sterling will suffer no major weakness during the next 12 months in spite of an expected drop in interest rates.

The pound's buoyancy partly reflects Britain's improved current account which is expected to stay in rough balance for the next 12 months due to the recession-induced drop in imports.

However, Forex Research points out that the pound could face severe problems in the long run as a result of the weakening competitiveness of UK manufacturers.

Maxwell Stamp, another forecasting group, expects the

pound to stay firm until the spring. Although UK interest rates will come down, they will still be attractive compared with those on other major currencies.

Further significant sterling appreciation would be unlikely unless there is a major oil crisis. As UK interest rates come down next summer, the group expects the pound to decline to just above \$2.20 by autumn 1981.

● A warning that the Government must not decide a cut in Minimum Lending Rate on the basis of last month's improvement in money supply figures has been made by two leading stockbrokers.

Buckmaster and Moore says that the slowdown in monetary growth last month, shown by the preliminary figures for sterling M3, was "welcome". But the statistics provided no evidence that monetary growth was under control. Because money supply was still rising well above target, a quick MLR cut would not be justified.

A report by L. Messel points out that the good September figures were only to be expected, given last month's heavy payments of petroleum revenue tax.

"For clear confirmation of a slackening of monetary growth we must await the October statistics," it adds.

Thousands 'put at risk by nuclear waste trains'

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITAIN'S hauliers "desperately need" wage settlements for lorry drivers to be in single figures in the next pay round, Mr. David White, group managing director of British Road Services, one of Britain's largest haulage operators, said at the weekend.

A single-figure settlement was

"absolutely vital"

for the survival of the haulage industry.

Haulage companies in Britain had already lost 20 per cent of their business in the last 12 months as a result of the recession.

Mr. Ken Rogers, chairman of the Road Haulage Association, said earlier this month.

BRDS generated receipts of over £150m last year and made a trading profit of £10.3m.

But this success has not totally insulated it from the effects of the recession. Decline in business in the last 12 months forced it to make 1,000 of its 8,000 staff redundant.

More staff may be laid off as trading declines further.

At the end of the first half of the year in June, British Road Services was 25 per cent down on its forecast budgeted revenue for the period.

The group's performance was "still falling," Mr. White said.

The recession had also forced the group to cut its planned capital spending on new vehicles by 40 per cent this year.

British Road Services up to now has been the most successful part of the state-owned National Freight Company which the Government wants to de-nationalise under the 1980 Transport Act. BRDS has successfully diversified away from general haulage into more specialised areas such as contract hire.

However, the timing of the proposed sale of shares to the private sector is dependent on an improvement in the trading climate.

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Lower wage deals 'vital' for hauliers

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

PSBR rise forecast

BY DAVID MARCH

THE PUBLIC sector borrowing requirement is expected to exceed the official target of £8.5bn by at least £1bn in the absence of further Government measures, the Henley Centre for Forecasting says in its latest report on the economy.

The expected overshooting is in spite of the likely drop in borrowing in the second half of the financial year.

However, the Centre foresees that the rate of growth of the Government's key monetary

benchmark, the sterling M3 measure of the money supply, will fall to only 9 per cent by the end of next year. The inflation rate will also ease significantly to below 12 per cent by next summer.

The centre's forecasts for the UK economy have become more pessimistic since its last outlook was published. Manufacturing industry output is expected to fall by over 7 per cent this year and by a further 2 per cent in 1981.

Midland Bank customers face increased charges

BY MICHAEL LAFFERTY

MIDLAND BANK is to introduce a system of quarterly charging for loan and overdraft interest from next March. The bank says it is the last of the big clearers to change over from half-quarterly debiting of interest.

The effect of the move is that

Midland customers will be paying more for their borrowings than up to now. They are being informed of the new system by letter.

In these letters, Midland is pointing out that quarterly charging makes budgeting easier for customers.

SECURITY printing of bank notes and travellers cheques is booming in the UK in sharp contrast to the declining fortunes of most of the general printing industry.

The opening this week of an £8m factory in Saltash, Cornwall, by Bradbury Wilkinson, the security printers, indicated the strength of that demand fuelled by worldwide inflation and the growth in economic wealth of many Third World countries.

Security printing covers the production of promissory notes such as bank notes, travellers cheques, bonds and postal orders. It is a field in which British expertise has remained predominant. The industry is dominated by two companies, the De La Rue group and Bradbury Wilkinson, a subsidiary of the American-owned International Banknote.

Both companies date from the 18th century but bank note production received its first main stimulus after World War One as countries went off the Gold Standard. The real boom started when colonial empires were wound up in the 1950s and 1960s, a separate currency becoming one of the first prerequisites for newly independent countries.

The result is that today both companies each deal with about 60 countries although Bradbury Wilkinson has the smaller market share. A tradition has been established that the two companies offer total trustworthiness, design services, technical advice and reliable delivery.

Confidentiality is regarded as important and the companies are reluctant to give the names of the individual countries they deal with. The majority are in Africa and the Middle East although some of the smaller European states contract out their currency printing.

Competition between De La Rue and Bradbury Wilkinson is intense, with both maintaining worldwide teams of salesmen and competitiveness being based on price, quality, design and service. Technical co-operation does not generally take place, although recently the industry came together over ways of combating the colour photocopies marketed by the office equipment manufacturers. Special colouring tones and security embellishments on notes and cheques now make it impossible for a note to be photocopied properly.

Mr. John Field, the chairman and managing director of Bradbury Wilkinson, defines the aim of security printing as making life as difficult as possible for the forger. The technical processes and the care taken in the printing of bank notes and promissory notes therefore operate at a different level from the rest of the printing industry.

Security printers normally work on a yearly timetable from the time an order is sought to its delivery to a central bank. Designers can produce the front and back designs of a bank note in two weeks and themes vary.

Portraits of heads of state are banned under Islamic law so most Middle Eastern countries now opt for development themes on their notes. The engraving of the design onto steel dies is probably the most skilled operation in security printing, and no single engraver is responsible for a bank note for security reasons.

The printing of the notes from the die is done on paper that has an anti-photographic, multi-coloured background and is done with an intaglio steel plate; the notes have an embossed effect.

The checking of the notes is still done by human eye. The industry is capital intensive with individual machines costing up to £1m. About 7,000 notes per hour can be printed.

Both De La Rue and Bradbury Wilkinson have improved productivity recently partly to offset the adverse effects on their prices of the rising pound.

Both companies are very dependent on export markets: De La Rue says its exports about 90 per cent of its promissory notes and Bradbury Wilkinson about 85 per cent. Bradbury Wilkinson produces about 2bn bank notes and travellers cheques a year with a face value of tens of billions

tend to have longer usage. The climate can also have an effect; humidity can shorten the life of a note in Third World countries where cash is the only means of exchange and where credit cards and bank transfers are not common.

Recently several continental security printers have entered the market although both British companies discount their competition.

The continental printers have the advantage of being backed by secure orders to print their own national currencies.

The Bank of England prints bank notes for England and Wales although both De La Rue and Bradbury Wilkinson have orders from Scotland, Northern Ireland, the Isle of Man and Jersey.

Turnover of both companies has grown impressively in the security printing sector. Turnover this year for Bradbury Wilkinson is expected to be between £45m and £50m compared to £13m five years ago. Bradbury Wilkinson employs about 2,000 people and De La Rue about 1,500 people on its UK security printing side. Order books are full for at least six months ahead.

Countries that have set up their own printing operations have often run into severe problems. Pakistan's attempt to gain a share of the world market for example have generally failed.

While security printing is booming, fraud and forgeries in London at least are declining sharply. Scotland Yard figures show a decline in forgeries of notes and cheques to 1,600 cases a year, most of which were dealt with on the spot.

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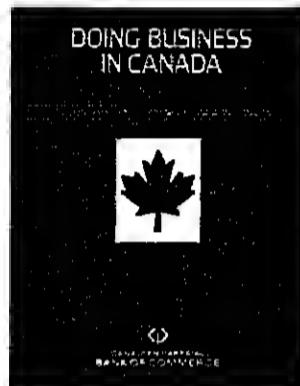
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- 5 What government grants are available to help set up companies such as in slow growth areas? Are such grants available to international companies?
- 6 What is the effect of Canadian customs, laws and practices?
- 7 What is the procedure for applying for import licences, registration etc?
- 8 What existing Canadian labour legislation should I know about?
- 9 Are there any professional organisations, or chambers of commerce which can help supply information?
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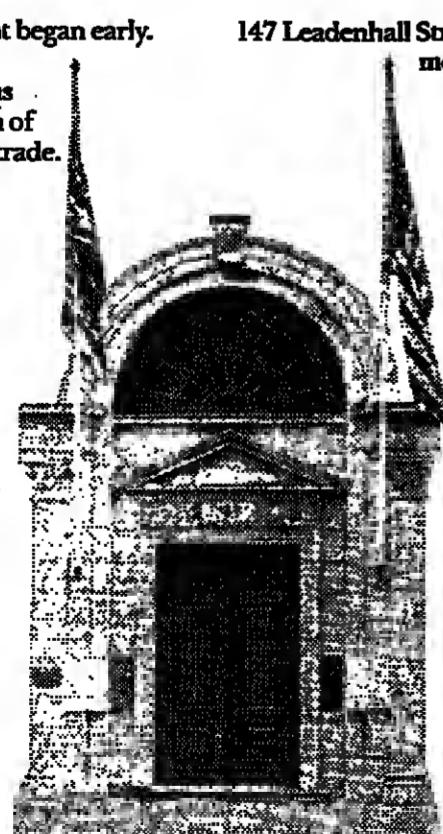
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UK NEWS — LABOUR

Shipbuilding, engineering unions may be offered 8%

BY JOHN LLOYD, LABOUR CORRESPONDENT

AN IMPROVED pay offer of about 8 per cent is likely to be made to the Confederation of Shipbuilding and Engineering Unions by the country's engineering employers today.

The feeling among engineering union leaders yesterday was that this offer, while less than half of the unions' claim of 18.5 per cent, would be accepted by the CSEU as a basis for recommendation to the various unions in the confederation.

Last month, the Engineering Employers' Federation offered 6.2 per cent, which indicated could be improved only marginally. That was rejected by the CSEU.

However, Mr. Terry Duffy, president of the largest union in the confederation, the 12m-strong engineering section of the Amalgamated Union of Engineering Workers, had said that the unions "were not in an aggressive mood."

It was apparent over the weekend that this mood had not changed, and that the unions had recognised at least part of the employers' case that many companies could not afford even a single-figure pay rise.

Last year, the employers' federation conceded a 20 per cent pay rise to the 2m engineering workers, after a 10-week strike. At last month's

meeting it told the unions that demand for the industry's products had fallen "significantly."

One union leader said yesterday that today's negotiations would mark "the end of the road" on this round of talks, and that the unions would have to make up their minds on the basis of today's offer.

The national minimum pay for a skilled worker in the engineering industry is £73, while that for an unskilled worker is £52.50. Average rates, which include the effect of local agreements and overtime, are £88.50 for skilled workers and £72.80 for unskilled workers.

Boilermen at Vickers back today

By Our Labour Staff

BOILERMAKERS AT Vickers Shipbuilders in Barrow, part of British Shipbuilders, return to work today after a 12-week strike.

A mass meeting on Saturday of the 1,300 boilermakers, whose dispute centred on a demand for special payments to be made to all, voted overwhelmingly for a return to work following the agreement of a peace formula between the Boilermakers Society and British Shipbuilders last week.

Talks are to begin immediately on a revised productivity scheme.

Teacher training

TEACHERS ARE paying a total of £50m a year out of their own pockets for job training, according to the country's second largest teaching union, the National Association of Teachers/Union of Women Teachers.

A union policy document has charged local education authorities with providing an inadequate system of in-service training, and has called on the Government to allocate training grants to the authorities.

Rescue call

A MASS meeting of workers from the Tyne Dock Engineering ship repair yard called on the Confederation of Shipbuilding and Engineering Unions to "seriously reconsider" its opposition to a rescue plan for the yard, at a meeting held over the weekend.

TASS delegates back merger move rejection

BY OUR LABOUR CORRESPONDENT

THE ENGINEERING white collar union, AUEW TASS, has confirmed its opposition to a merger of the three craft sections of the Amalgamated Union of Engineering Workers at a special delegate conference at a 12-week strike.

TASS's objections to the proposed merger of the three craft sections—the engineering, foundry and construction unions—was upheld last month by the Certification Officer, the official overseeing union mergers and amalgamations.

TASS argued that a partial merger would discriminate against its interests, chiefly because the status of the national conference would be changed.

It believed the conference would cease to be a policy-making body because the other three unions would mandate their delegates on how to vote before the conference.

The amalgamation was stopped just as the construction section was about to ballot its members on the amalgamation.

Mr. John Baldwin, the general secretary of the construction section, has threatened to sue the Certification Officer over the decision.

Mr. Ken Gill, the general secretary of TASS, said yesterday that the union still wished the amalgamation to go ahead, but not with rules which would discriminate against its members' interests.

The delegates' conference also voted for a change in regulations which will allow the executive to suspend, with or without pay, those full-time officials shown to have not been carrying out their duties.

The enforcing of the decision will now be negotiated by the union's executive and the officials.

BSC says no new steel cut planned

By Our Labour Correspondent

BRITISH STEEL Corporation has no plans for further closures and redundancies, Mr. Ian MacGregor, BSC chairman, has told Mr. Bill Sirs, leader of the Iron and Steel Trades Confederation, the industry's largest union. The meeting, on Friday night, followed reports that Mr. MacGregor would shortly present the Government with a new corporate plan containing the option to cut capacity from 15m tonnes to 12m tonnes, with the loss of 25,000 jobs which BSC is losing this year.

Mr. Sirs said yesterday: "Mr. MacGregor stressed that he still had a completely open mind as to the future shape of BSC, and will ask the Government for more time to consider other plans, including those submitted by the ISTC."

He reassured me that the unions would be fully consulted before any report or plan was submitted to Sir Keith Joseph (the Industry Secretary)."

Union officials believe that further sharp cuts in capacity and the workforce are options being discussed by senior management in BSC and that these are now being pressed on Mr. MacGregor.

The chairman has told the unions that he is spending much of his time trying to drum up extra orders for BSC from U.S. and European companies and that the future capacity of the corporation will to a large extent depend on his success. However, it is believed that the "worst case" options considered by senior management include a reduction of capacity to as low as 8m liquid tonnes a year, because of continuing slump in demand.

Union plea over Conoco rebuff

BY OUR LABOUR CORRESPONDENT

THE ASSOCIATION OF SCIENTIFIC, TECHNICAL AND MANAGERIAL STAFFS is to appeal to the Organisation for Economic Co-operation and Development, over the non-recognition of the union by Conoco, the U.S.-based oil company.

In a ballot conducted by the Advisory Conciliation and Arbitration Service in April, a majority of Conoco's 300 white collar staff voted for recognition of ASTMS. The union says that the company has since refused to recognise it.

Mr. Roger Lyons, a national officer of the union, said yesterday that the union had now exhausted the appeals procedure under the new Employment Act, and would thus refer the issue to the TUC today for further reference to the OECD.

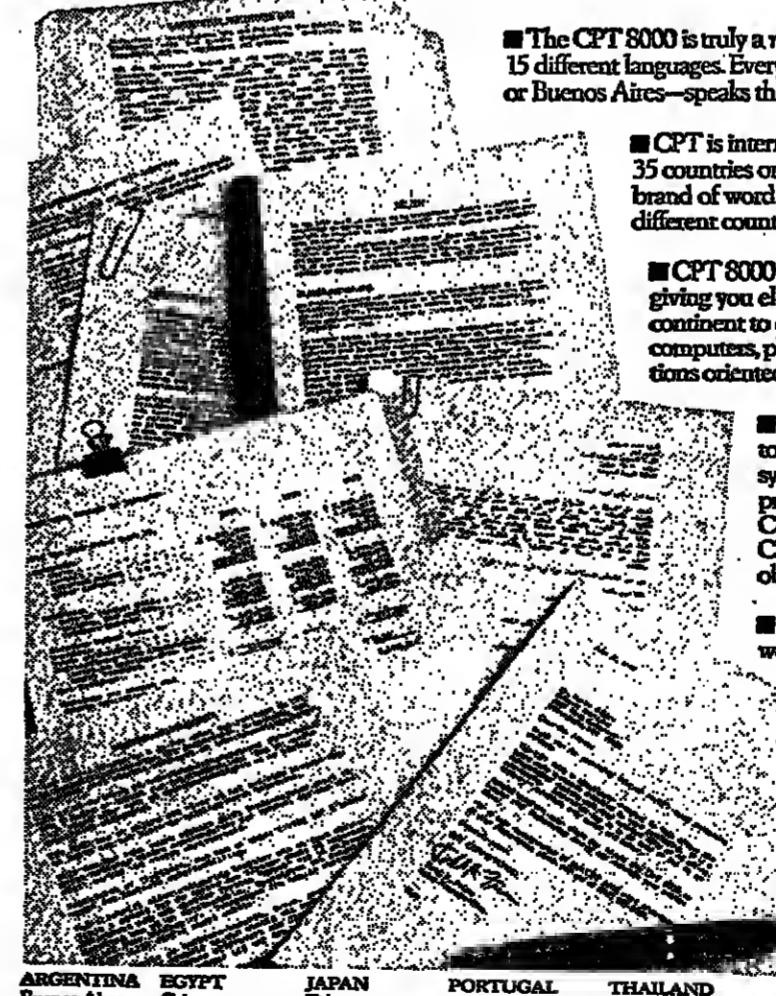
The OECD lays down guidelines for multinational companies. Among these is an injunction calling on multinationals to follow the same procedures on union recognition as other companies in the industry.

Mr. Lyons said that this would be the first such reference since the new Act came into force.

At the same time, the Central Arbitration Committee has asked Conoco to improve its annual holiday entitlements to its white collar staff. At present this is 20 days, with the provision for one extra day for every five years' service.

The committee has told the company to grant an extra day's holiday for every year of service. Mr. Lyons said this would influence negotiations on pay and conditions now going on with other oil companies.

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Building and Civil Engineering

Wimpey awards top £11m

WHILE many contractors are watching their order books with some apprehension Wimpey seems able to keep the contracts rolling in.

Since the award of a £7.6m shopping centre contract at Swindon, Wilts. (reported on this page last week) the company has gained several other contracts worth altogether over £11m.

The largest of these, valued at over £4m is for what Wimpey describes as infrastructure works at Aztec West, Patchway, Bristol, for Electricity Supply Commissioners.

This contract calls for the construction of site roads, a roundabout on the A38 and widening of the latter up to its junction with the M5. The work

which is just starting also includes drainage and landscaped recreational areas. The architects are Nicholas Grimshaw and Partners.

On the Walton Summit Industrial Estate, Leyland, Lancs, Wimpey is to build a warehouse from the Airport Committee of Luton Borough Council for the first phase contract of an improvement scheme at Luton Airport. This contract is worth £175,000 and is for a first-floor extension to the front of the terminal.

Another award to Wimpey is

from the Central Lancashire Development Corporation (£1.95m), for advance factories in the Brucefield Industrial Park, for Livingston Development Corporation (£1.7m) and for the modernisation of 48 two-storey houses.

For the modernisation of

48 two-storey houses.

Office block in Milton Keynes

THE Milton Keynes Development Corporation has awarded a £5.3m contract to Sir Robert McAlpine and Sons for the construction of a three-storey office block in central Milton Keynes.

Generally of reinforced concrete frame construction, brick clad, the new structure will afford 11,300 square metres of floor space in a building set about a central courtyard. It

will be air-conditioned throughout and served by two lifts.

The first of 15,000 cubic metres of excavation will be started soon, with project completion programmed for early 1982.

One is for an extension to a Nestle's depot in Warrington, Lancashire and the other is for the modernisation and repair of 135 flats in Salford.

For the Nestle contract, worth about £1.35m, Laing is to construct a steel-framed, brick-clad extension with patent glazing at eaves level. The architects are Beard, Bennett, Wilkins and Partners.

Cost of repairing the flats in Salford will be £740,000. Main items for attention include the fitting of new windows, roof insulation, fire doors, kitchen fittings, electrical and central heating systems and external decoration. Downs and Varriola are the architects.

Ground Engineering, a member of the Laing Group, has been awarded the ground investigation contract for Section B of the proposed M66 Manchester outer ring road (Denton to Middleton). The proposed route crosses an area of old mine shafts and other workings which may affect operations.

ROUTE is of flexible construction and begins at Shude Common, crosses Qua Fen Common and reconnects with the A912 at the junction with the A1123, having terminating roundabouts at each end.

Monk builds a by-pass

A TENDER from A. Mook and Co. £1.8m has been accepted by the Cambridgeshire County Council for construction of the Soham bypass.

Soham lies between Ely and Newmarket, and the 4.8 km long single carriageway road skirts the built-up area east of the town.

Soil will be applied to the

main contractor for the construction of an Olympic track, football field and baseball field allowing for spectators in the range of 55,000 to 60,000 people. In this scheme the duct system consists of 38 identical units arranged radially in the form of a giant donut.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Injecting a new motivation into local authorities

Robin Pauley and a local council official argue for greater efficiency and professionalism

NEVER HAS British local government been under such intense pressure from all sides. In Westminster, Michael Heseltine's Department of the Environment thinks that local councils are overstuffed and spend irresponsibly; the Treasury considers them branches of central government which must therefore do exactly as they are told; ratepayers protest ever more vociferously about mounting rate bills. In this atmosphere of accusations of profligacy, inefficiency and medieval management grow and feed in the community.

Since the reorganisation of local government by the Heath government in 1974 local government has mushroomed into very big business indeed. Its annual spending

is £22bn a year—nearly a quarter of all Britain's public spending—so that its actions directly affect the government's public expenditure targets, the public sector borrowing requirement, and the whole success of failure of Mrs Thatcher's overall economic strategy.

The most noticeable result of the Heath reforms was the creation of an extra layer of highly-paid officers at the bureaucratic end of town halls—bearing extravagant job titles and descriptions—and a more general increase in manpower and salary levels. On the other side of the account, there has been no significant proven gain in efficiency. Nor is local government able to respond to all the criticism and allegations

what other incentives keep them ticking?

The traditional response might be "a sense of public service" but this is hardly adequate. People enter local government for all sorts of reasons but very few are "called" to it in a vocational sense. For the manager there is a wide range of opportunity in local government and, although conditions of service are generally good (though not as good as some other public organisations), it is the nature of the work itself which must attract entrants. These entrants are, at managerial levels, generally well qualified and professionally trained. It is the professional base which is the great strength of local government.

Professionalism in local government means that a high degree of motivation is built into the young aspiring manager. He or she sees the job as important for its own sake whether he or she is an architect, an engineer, a solicitor, an accountant, a town planner or whatever.

Most generalisation are facile and superficial and it is patently not the case that all companies are efficient nor that all local authorities are the reverse. The real question is what motivates the efficient local authorities? In the absence of a profit motive

Incentives

By contrast, an organisation such as local government is, by its nature, rarely able to apply the profit motive. Local government in general has a terrible public image and is usually compared unfavourably with the "real world" of industry and commerce. Local government is seen as bureaucratic, wasteful, and inefficient. "If only those people at the Town Hall had to run at a profit they'd soon know what life is all about."

Such statements may be seen as an apology for local government's inability to compete, especially by businessmen who still subscribe to the naked capitalist philosophy that "The profit motive is the basic driving force of all commercial activity" and that "The company balance sheet is the barometer by which progress is measured."

Many modern businessmen and industrialists would certainly wish to qualify the over-

adequate chapter and verse about its achievements, though in fairness to local government it must also be said that central government is in no better a position to defend either its efficiency or its ability to contain its own spending.

The activity of Council officers has traditionally proceeded very much in the shadow of their elected masters. Now, as many themselves recognise, the pressure is on for them to demonstrate the effectiveness of their administrative apparatus. But in the absence of the profit motive, what can motivate this special breed of public servant to be efficient (or otherwise)? In the article below, one of their number gives his reply.

R.P.

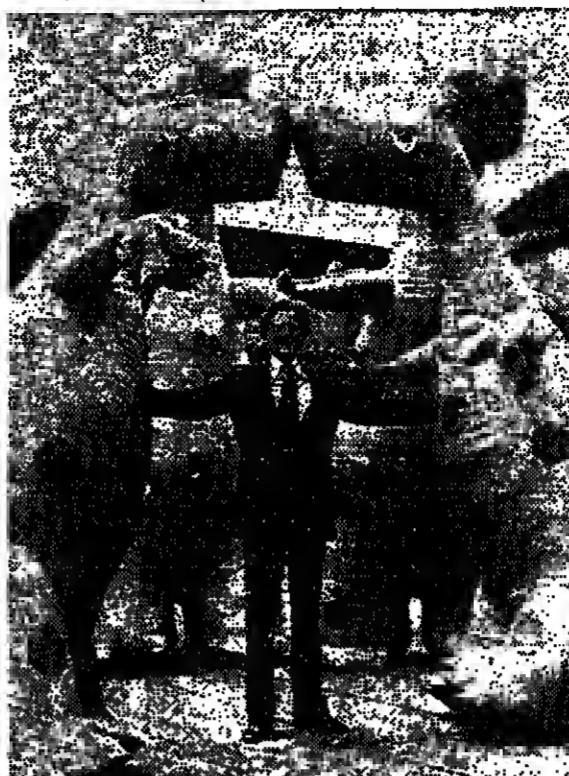
The management of local authority functions and affairs is a joint process between

the need to develop the general managerial skills of the senior professionals in local government. One of the key tasks of the new style chief executive has been for them to rise above departmentalism and to develop a corporate management strategy. The most successful local authorities (as opposed to successful departments within an authority) will be those where the high skills of qualified professionals are harnessed in a corporate manner to the benefit of the organisation as a whole.

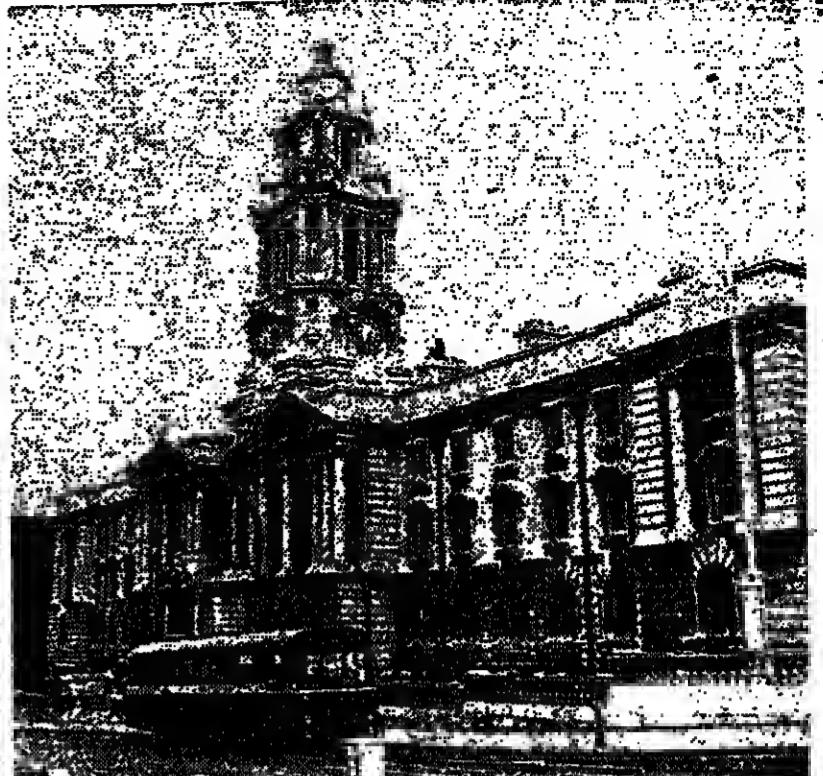
How is such success to be measured without a profitability indicator and are there any realistic methods of measuring success in a non-profit making organisation? Output measurement in fields such as education and social services has been markedly unreliable and inappropriate.

To have any hope of answering such questions one must presuppose that clear objectives have been set. Local authorities are not especially good in this respect largely because their time perspective is very short. Three to five-year planning does take place, but not everywhere and rarely with any real success. The reasons are not hard to determine and may be summed up in a word—politics.

The setting of the rate is the paramount decision made in



Inflated dinosaurs take it on the nose from Michael Heseltine. Will his efforts to trim the Town Hall dinosaurs give him as much to smile about? And can council officers be motivated to improve their performance? The answer from Stockport (right) is definitely in the affirmative.



lessons to be learned from the "hierarchy of needs" propounded by Maslow, the behavioural scientist, that, given the satisfaction of basic needs, people will achieve their full potential only if their attitudes to work are conditioned by keen awareness of their own professionalism, which in turn will generate high performance?

If management is a discipline which can be studied and learned, then providing basic professional standards have been set, its skills must be transferable between organisations. Could this be an area where professional institutes could make a more telling contribution in the future education and training of managers? Should local government itself be devoting more effort to preliminary/induction training for newly appointed Councillors?

What does seem certain is that, in the worlds of both business and government, no amount of training in techniques will compensate for a "couldn't care less" attitude. A manager who does not care about his own performance deserves to be condemned by the worst of epithets; be it simply unprofessional.

Neil Fitton

N. J. Fitton is Assistant to the Chief Executive of the Metropolitan Borough of Stockport.

local government. This decision cannot be seen as a major motivating force for managers. A Chief Officer can only advise his elected members about levels of service, and expansion will not take place unless those members decide. Conversely a political leader with a narrow majority to defend may be more interested in curtailing growth and any officer-based aspirations will be set aside. When the government calls for public expenditure cuts, both officers and members are expected to respond, and motivation is subsumed by expediency.

Local government managers (and in this context both elected members and officers may be so defined) face many of the same problems as their counterparts in industry and commerce. They deal with trade unions, have strikes and go-slows, float loans, suffer from cash flow problems, make investments, build new plant, demolish old stock, buy, sell, sue and are sued, and at the same time the vast majority of their activities are subject to detailed scrutiny by the public. Those managers who do well in local government would do well in most organisations, including those motivated largely by profitability.

If the reason for their success is not a sense of vocation, nor political motivation,

expediency

However, the most important area for political decision-making is in the acquisition and distribution of resources. The national government determines the framework within which a local council must operate through the rate support grant; the local council then determines what call to make on the ratepayers. In both cases decisions are basically political and it is the outcome of these decisions which will have most effect on policy, forward planning and management.

But as well as handling large removal jobs, (we've moved banks, hospitals, museums, libraries and science laboratories) we will also just as happily move the smallest

and achieving of high standards?

office, business or corner shop.

In fact we do hundreds of such moves each year. Which just goes to prove that to move with us, you don't have to be in high places.

Pickfords

Britain's most experienced removal company.

When we move office furniture we don't let a little thing like Trafalgar Square get in the way.

Before we moved the Canadian High Commission from their old office off Trafalgar Square to their new office across the road, we didn't realise they were so high up in the world.

Six storeys high to be exact.

Normally this wouldn't have posed any problems but unfortunately most of their furniture was on the large size, and their only lift was on the small size.

Rather than carry everything down 6 flights of narrow stairs, we decided on another route.

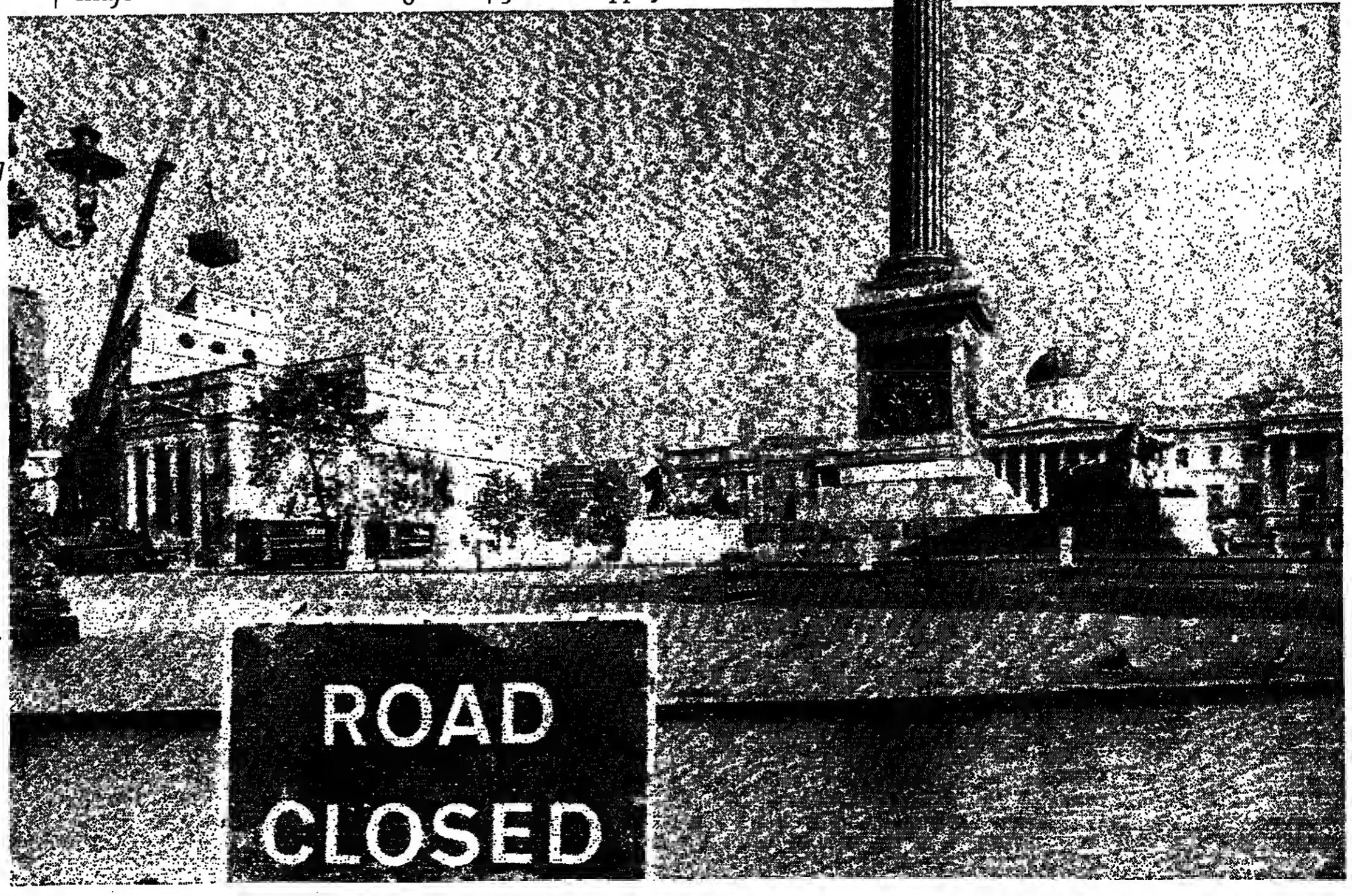
With GLC permission and Metropolitan Police assistance, we closed off part of Trafalgar Square and erected a crane.

Everything that was too big to go down in the lift was then loaded up onto their flat roof.

From there it was simply swung by crane and lowered safely onto the roof of their new building. After that it was all down hill.

Although this isn't the sort of move we do every day, many of our jobs do call for a lot of careful planning and organisation.

Often, for instance, we are asked not only to move office equipment, but to move the homes of all the office staff as well.



A good lesson from Indonesia

BY SAMUEL BRITTON

WOULD YOU be in favour of adding a tax on exports to all the other burdens faced by British industry?

This is almost the precise equivalent of the import quotas for which so many people in industry and politics are clamouring. Similar consequences follow from the soft approach to import restraint, such as the campaigns to "Buy British," which were supported in a disgraceful and economically illiterate Conservative party political broadcast the week before last.

Import controls are usually advocated as a soft option when a country has a weak currency. An example was the temporary import surcharge imposed by the first Wilson Government in 1964. Although it did not prevent an eventual devaluation, it did help to shore up the pound for a little while longer.

By the very same logic the effect of import controls today must be to reduce the demand for foreign exchange and send the pound higher. A Government department which hails a dear British substitute for a foreign product to please its political masters produces exactly the same effect.

Truism

How much higher the pound would go we do not need to argue. For the adverse effect on exports follows simply from the truism that the balance of payments must always balance.

Anything which reduces imports also reduces exports, unless it also leads to an offsetting capital outflow. The main effect of import restrictions is to balance the overseas account at a lower level of trade with exports, imports and efficiency all suffering simultaneously.

These simple economic precepts, dismissed by self-styled "practical men" as "heads in the clouds theorising," have been brought home in a painful and down-to-earth way by the Indonesian Government.

The row began when the Indonesian Government asked for an increase in its EEC quota under Multi Fibres Arrangement which limits textile imports from the developing countries. After fruitless negotiations, the British Government persuaded the EEC to impose

quotas on Indonesian products such as trousers, blouses and shirts.

The Indonesian Government has understandably retaliated by taking measures against British exports. For example, one methanol plant contract order won by a UK firm now seems likely to go to a West German concern. All in all, some £150m of contracts are at stake.

The issue is clearer than usual because the loss of British exports, instead of being spread around the world and observable only to the economic analyst, is concentrated in the same country whose imports are being rejected. The action of the Indonesian Government is making visible and plain effects which would otherwise be diffused by market forces throughout many parts of the world.

Dispute

British exports to Indonesia amount to about £90m per annum, compared with imports of about £90m of which only £10m are textiles. So in the dispute Indonesia has strong cards to play. This fact should be welcome to those who want to help poorer countries to develop, no distinct from just writing articles about the North-South gap or the Brundt report.

The best possible result would be for the British Government to accept the case for higher textile imports from countries which, like Indonesia, started from a low base under the MFA. This would be enlightened self-interest. The threat to British exports would go; British demands for a less protectionist EEC Agricultural Policy would seem a little less hypocritical; and by showing the sincerity of "trade not aid" it would be easier to fend off demands for a harmful "New International Economic Order" demanded by the bloc of developing countries.

In any case, it is difficult to suppress some cheers for a country which has driven home to British politicians and businessmen that there can be no exports without imports, and that any jobs supposedly saved by import restrictions are at the expense of other jobs lost in the export sector.

RACING

BY DOMINIC WIGAN

trainer David Elsworth, Heighlin has had the good fortune to join one of the most outstanding "up and coming" masters of his profession this country has seen in recent years.

On Saturday it was Ferryman's opportunity to reconfirm

the race served as yet another reminder that, in

Heighlin heightens his chances

THOSE who have either already hacked or intend to hack Heighlin for the Cesarewitch at the end of the week must have been more than satisfied with the outcome of Saturday's Bovis Stakes at Ascot.

The race served as yet another reminder that, in

Heighlin heightens his chances

Elsworth's status as a man with a remarkable way with handicappers in particular. The four-year-old, a bay son of Fiorio River, justified a substantial gamble in the highly competitive 18-runner Ascot handicap and won his fifth race over the minimum trip since the start of the 1978 campaign.

Ferryman's most important success to date could hardly have been more deserved, for in no less than five of his eight previous races he has found just one too good.

Turning to Heighlin, who could well be disputing market position with Al Kuwait, come Saturday afternoon, Elsworth's ability has an even sounder advertisement. For he bought the High Line gelding out of Henry Candy's illustrious Wantage stable for 14,000 gns.

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FINANCIAL TIMES

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Monday October 13 1980

Reagan could make it

THERE IS now a distinct possibility that an ageing, former movie actor will become the next President of the U.S. Anyone in Europe, or elsewhere, who has so far failed to take Governor Ronald Reagan seriously as a candidate for the White House would do well to think again. That is not to say that Mr. Reagan is home and dry—there are still three weeks before the election and it would be a rash man who predicted the outcome with confidence at this stage. What one can say, however, is that if the election were held tomorrow, and the opinion polls have any credibility, Mr. Reagan would have a good chance of winning.

Conservative

If this is so, it is not because the vast majority of Americans are enamoured with the idea of a Reagan Presidency. True, the American electorate appears to be in a conservative mood, and Mr. Reagan is making inroads into traditionally Democratic territory, such as, for example, the blue-collar vote. The overwhelming reason, however, why Mr. Reagan has to be taken seriously is simply the inadequacy of the incumbent President Jimmy Carter. Wavering voters, and there are still many of them, are balancing fear of Reagan against dislike, and in some cases contempt, of a President who has failed to provide leadership and become notorious for changing his mind in a maximum blaze of publicity.

President Carter's gift of promoting himself as his own worst enemy has once again been paraded before the public in the last few days. He was almost certainly right to conclude last week that the nature of his personal attacks on Mr. Reagan were beginning to demean the Presidency and to work against one of his remaining assets—his reputation as a straightforward, nice guy. But he could have throttled back without confessing on prime-time television that his attacks had been ill-advised—in the same sort of way that he announced his discovery, in the aftermath of the invasion of Afghanistan, that the Russians were not wholly dedicated to the upholding of American world interests.

The effect of his latest admission will be to concentrate attention on the style of his own campaign in the coming days, rather than on the policies

Unprecedented

Mr. Carter, by contrast, is still offering little more than middle-of-the-road tinkering with the economy that is not likely to have any major immediate effects. Of course, if Mr. Reagan wins, he is unlikely to introduce his new policies overnight. The President is not all-powerful, and Mr. Reagan could well face a Democratic majority in Congress, at least in the House of Representatives. On his part records—much would also depend on the people he chose to implement his policies. But if Mr. Reagan can maintain his momentum over the next three weeks a significant change in American economic policy will at least be on the cards. Meanwhile, it is worth remembering that a probably unprecedented number of Americans have still to make up their minds. It is hard not to sympathise with their dilemma.

Competing for North Sea gas

THE AVAILABILITY of natural gas liquids from the North Sea provides the opportunity for a substantial improvement in the economics of the British petrochemical industry. The fact that American chemical companies use natural gas rather than oil-based naphtha as the main feedstock for ethylene gives them an important cost advantage; it is one of the factors behind the rise in U.S. chemical exports to Western Europe. In the UK it is desirable that naphtha should be replaced as far as possible by natural gas, both for existing plants and for any new ones that may be built. The problem is that supplies of gas will be insufficient to meet the demands of all the companies which have put forward projects for using it. It is not yet clear how the Government intends to respond to the competing proposals, but there is a danger that political and commercial uncertainty could delay the exploitation of a valuable national resource.

Controversy

The Government has decided in principle in favour of a gas gathering pipeline system which will collect gas from fields in the northern basin of the North Sea. An organising committee is due to make recommendations shortly on the ownership and financing of the system. According to provisional plans, the gas will be landed at St Fergus on the Scottish coast where processing facilities will be built. Part of the gas—the methane—will be delivered to British Gas for use in the national transmission system. The controversy is over how the heavier hydrocarbons should be used. These include ethane, the preferred feedstock for ethylene production, and liquefied petroleum gases (LPG) such as propane and butane, which can be used as fuel or as petrochemical feedstocks.

One possibility is that the LPG, some of which is likely to be exported, will be moved by pipeline to Nigg Bay on the Cromarty Firth where suitable port facilities can be built. As for the ethane, a spectacular proposal has been offered by Dow Chemical, the U.S. company which does not at present make ethylene in the UK but begin

has a sizeable investment in downstream plants in Western Europe. Dow wants to build an ethane-based ethylene plant at Nigg Bay which would feed derivative plants on the same site.

Against Dow are ranged the so-called "Southern Four," the companies which have ethylene plants in operation or under construction to the south of St. Fergus—ICI, Shell, BP and Esso. These companies are most unhappy at the possibility that Dow might pre-empt the available ethane supplies. They argue that, by modifying existing ethylene plants, they will make use of the ethane more quickly and at lower cost than would be possible with an entirely new complex.

Conflicts

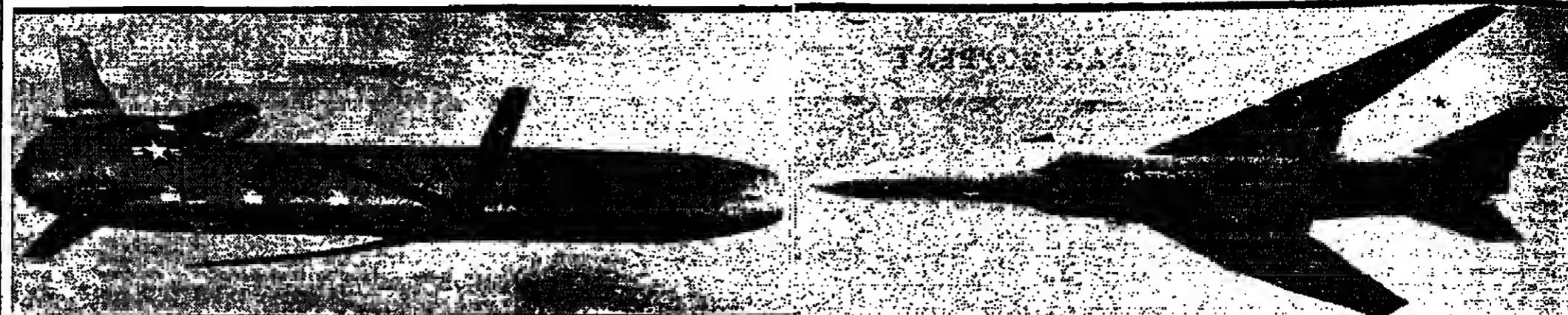
Other contenders include Occidental Petroleum of the U.S. and Highland Hydrocarbons, a Scottish company which wants to build a gas processing plant at Nigg Bay on a "common user" basis, supplying ethane and other products to any companies which bid for them.

Precisely what the Government will seek to resolve these issues through the market: that is, the gas will go to those companies which are prepared to pay the highest price for it. There should certainly be no discrimination against new entrants. But before a framework is established in which commercial decisions can be made, a good many technical and organisational questions have to be settled. One of them concerns the role of British National Oil Corporation, which is, in theory, entitled to a 51 per cent participation in much of the gas due to be collected. There are potential conflicts of interest, not only among the private sector companies, but between them and the state-owned bodies involved.

It is vital that the exploitation of natural gas liquids from the North Sea which should give the British chemical industry a competitive advantage, is not held back by the kind of organisational uncertainty which has plagued the nuclear power programme. Early decisions are necessary so that planning for the very large investments necessary can

GENEVA TALKS

The nuclear arms chess game



REGINALD DALE reports on the strategic arms talks which begin next week. The U.S. Cruise missile (left) and the Soviet Backfire (right) are two of the key bargaining chips in the Geneva negotiations.

Union's sophisticated new "theatre" weapons, the SS-20 and the Backfire bombers. They have no equivalent in the West.

The new Soviet weapons threatened to open a gap in the series of escalation nuclear responses with which NATO

bopes to deter a Warsaw Pact attack—the "seemless web" of

deterrence, to coin an American phrase.

The West, in other words, might be left with the choice of only two unacceptable responses if, say, Plymouth and Rotterdam were devastated by SS-20s at a time when the Warsaw Pact was already winning a conventional war on the North German plain. It could either launch the final holocaust or do nothing.

But while that scenario might give nightmares to professional players of strategic wargames, it is not necessarily enough to convince the West European man in the street of the need

Russians genuinely worried by new U.S. weapons

for a new American Cruise missile base just up the road.

Many Europeans, particularly in the Benelux countries and Scandinavia, believe that there are already more than enough nuclear weapons on or near their soil. They are more inclined than the Americans to believe Soviet arguments that the SS-20 has done no more than even the balance.

The NATO "modernisation" plan (to share out 464 ground-launched Cruise missiles between the UK, West Germany, Italy, Belgium and the Netherlands) and the replacement of the 108 Pershing 1 missiles in West Germany with the longer-range Pershing 2 was accordingly accompanied with an offer to Moscow to negotiate. The political aim was to sugar the pill for the two most hesitant countries, Belgium and the Netherlands, and generally convince the Left throughout Western Europe that NATO's intentions were peaceful.

This it might be thought, is a highly laudable objective. And yet many Western strategic experts regard the talks as "politically imperative but technically mistaken." There is a widespread fear that the West has got itself into an exercise in which it does not really know where it is going and from which Moscow can only benefit.

The political case for the talks, in the Western view, is fairly obvious. Last December the NATO countries (minus France) decided to go ahead with the modernisation of their theatre nuclear forces (TNF) for two principal reasons—one military and one strategic.

Militarily, there was felt to be a need to replace the Alliance's ageing and increasingly ineffective existing theatre weapons, the British Vulcan and the American F-111 aircraft (both UK-based).

Strategically, it was thought (particularly by the UK and West Germany), that the West must act to counter the growing threat posed by the Soviet

forays as Industry Commissioner will reach new heights this month if the Nine give him and his colleagues authority to cut back EEC steel production.

Looking to the future, which in Brussels means when the new Commission, almost certainly featuring Davignon, kicks off in January, Davignon is said to be considering making a bid for both Industry and Energy portfolio which, if Brunner goes, will probably retain.

As amalgamation of Industry and Energy portfolios would give Davignon a timely base to punch nearer his political weight. For with many of his colleagues looking likely to be returned to Brussels by their government, the traditionally "heavy" portfolios like Finance or External Affairs seem set to be retained by their present holders.

St. Johnston was one of Ocean Steamship's "student princes" when in 1965 the company joined with P & O, British and Commonwealth, and Furness Withy to form OCL. Furness has since dropped out, following its take-over by the C. Y. Tung group earlier this year.

As a founder director of OCL, St. Johnston played a key role in both the early growth of the company and the general development of container services for international trade. But, in a surprising move, he resigned to head up a Singapore-based investment bank, Private Investment Company for Asia. It was shortly after wards that former P & O man Reynolds was brought into OCL as managing director, until his grooming for the top job was so tragically curtailed.

It is vital that the exploita-

tion of natural gas liquids from the North Sea which should give the British chemical industry a competitive advantage, is not held back by the kind of organisational uncertainty which has plagued the nuclear power programme.

Early decisions are necessary so that planning for the very large investments necessary can



SS-20 deployment and what concessions are worth making to achieve it? Are we aiming at common ceilings on both sides, and if so should there be equal numbers of warheads (which would benefit the West) or of launchers (which would benefit the East)? Is equality important politically for the Americans—either necessary or achievable? How would an agreement be verified, and what about technical problems like the Russians' ability to reload their SS-20 launchers any number of times?

Throughout the negotiations, or at least in their early stages, the Americans will be trying to trade chips they have not put on the table (the Cruise and Pershing 2) against Russian chips that are already there—the SS-20s and the older SS-4s and SS-5s. The Russians are steadily increasing their stock of chips by increasing SS-20 deployment by one every five days, while maintaining the older systems that might otherwise have been phased out. But NATO's Cruise deployment is not expected to be completed until 1983, by which time many West European governments may have been tempted to change their minds.

There could be something in it for the West: if only for planning purposes, it would be useful to establish a fixed maximum total for the SS-20s and the numbers of warheads permitted for medium range missiles. (The SS-20 has three, the Cruise and Pershing only one each.) But the result could also be the codification of a degree of Soviet superiority at "theatre" level.

That prospect is even more worrying to Western strategic planners at a time when SALT has achieved rough balance between central strategic systems and Soviet technological advances are undermining the West's traditional superiority in short-range battlefield weapons.

The risk is that West European governments will be lulled into a false sense of security by the very fact that negotiations are taking place—regardless of their outcome. It may never ever be threatened, regardless of whether or not there are 572 new American "theatre" weapons in Western Europe. There are many views as to how the concept of deterrence can best be translated into the deployment or non-deployment of physical hardware.

But the evidence so far is that the Russians, the acknowledged chess grandmasters, have thought through their next moves rather further than

the maximum acceptable level of their Western opponents.



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FINANCIAL TIMES SURVEY

Monday October 13 1980

European Motor Industry

There are clear signs of stress in the industry, on which 8m workers depend for their livelihood. Output is falling and Japanese competition is growing stronger. Manufacturers insist that productivity must be improved and trade unionists say their employers should seek greater co-operation among themselves.

Japan brings hard times

By Kenneth Gooding
Motor Industry Correspondent

IS THE European motor industry, which last year provided the world with more than one-third of the 31.65m cars produced, in a state of crisis?

Trade unionists throughout the EEC insist the answer is "yes". And they point to the widespread short-time working and the growing number of redundancies and job losses so far this year as evidence.

The manufacturers so far take a less-pessimistic view. The European industry, they suggest, is suffering simply from the normal cyclical downturn in demand which might be expected after a couple of good years. But this is being exacerbated by the actions of European governments determined to stamp out inflationary pressures in their economies.

However, the manufacturers add a warning that the industry could be pushed into crisis if the Japanese car makers do not change their current policies.

Crisis or not, the signs of stress are clearly apparent.

To take some obvious examples, Fiat's predicament was spotlighted by its decision, after all, not to take over the rest of SEAT in Spain and the subsequent promise of a substantial capital injection from the Italian Government.

There is evidence that Fiat made preliminary approaches to Peugeot SA, the Peugeot-Citroen-Talbot group, with some kind of merger in mind. Apparently this did not get very far because the more the potential partners found out about each other the less logical a link-up looked.

Peugeot itself is in the middle of a major shake-up. The decision to amalgamate the sales and distribution operations of the Peugeot and Talbot car businesses — representing a radical change of direction from the time of the acquisition of Chrysler's European interests only 18 months ago — promises to be only the first phase in the group's restructuring programme.

We have also seen Ford quietly shelve its plan for a new car assembly business to be set up in Portugal. Ford of Europe insists that this has nothing to do with the pressing financial difficulties of its U.S. parent group. It just doesn't see the need for that extra capacity for some while yet.

And BMW (Bayerische Motoren Werke) has also postponed for up to two years its plans for building a fifth car plant.

In all the circumstances it should not come as a surprise to find that protectionism is finding more and more favour, particularly among the trade unions with members who work for the car companies, but also among some of the manufacturers as well.

The need to help an industry which provides so many jobs is advocated by the protectionist lobby with increasing emphasis.

They point to the fact that 2.5m people in the EEC are employed directly either by the car manufacturers or the component companies that supply them. In all, 8m people earn their living, directly or indirectly, from the motor industry in the Common Market area.

Great damage

The Japanese manufacturers must bear the brunt of the protectionist attack. But, as previously mentioned, even usually-moderate manufacturers maintain that the Japanese need to alter their ways or they will do great damage to the European motor industry.

According to the Committee of Common Market Automobile Constructors (CCMC), which represents all the European manufacturers (but excludes the U.S.-owned multi-nationals), output of new cars in the EEC countries could fall by 10 to 12 per cent in 1980 from the 1979 levels.

Production in the U.S. could be down 20 per cent. Yet by the end of the first half of 1980, Japanese output had jumped 20 per cent on last year's levels.

The impact in Europe itself has been relatively dramatic.

The Japanese share of sales in Western Europe has risen from 7.3 per cent at the end of 1979 to 9.6 per cent half way through this year — in spite of continued restrictions in major markets such as Italy, France and the UK.

But the major problems for the Europeans have been in "neutral" territories where the Japanese products have been overtaking everybody else's

mainly because the prices charged make the cars seem exceptionally good value for money.

Nowhere has this been more in evidence than in the U.S., where the Japanese have pushed up market share to 22 per cent while the Europeans, mostly offering equally fuel-efficient cars, have made only slight gains at the expense of the domestic manufacturers.

It would be completely unreasonable, however, to suggest that the European motor industry's present difficulties are due mainly to Japanese competition.

Perhaps the biggest problem is that there is no such thing as a "European motor industry". What Western Europe has is a relatively large number (for the size of the total market) of national motor companies, each one relying heavily on its own domestic market and each one treating neighbouring countries as "export" markets.

There is over-capacity in the European car industry, which is capital intensive and needs to use its plant at a high rate before the break-even point is reached.

Yet more capacity is going in. General Motors, determined to catch up with its American rival Ford, is setting up a plant to make 270,000 cars a year in Spain, starting in 1982.

GM's attitude can be summed up this way: "There might be too much capacity in Europe but a lot of it is in the wrong places."

Spain and Portugal, in particular, offer greater growth potential than the rest of Western Europe and this has attracted other companies apart from GM.

Renault has signed an agreement with the Portuguese government which involves an

WESTERN EUROPE'S TOP-SELLING CARS IN 1979

	Market share %
1. Volkswagen Golf	4.6
2. Renault R5	3.9
3. Ford Taunus/Cortina	3.8
4. Fiat/SEAT 127	3.6
5. Volkswagen Passat/Audi 80	3.5
6. Ford Fiesta	3.4
7. Renault R18	3.0
8. General Motors Kadette/Astra	2.83
9. Fiat/SEAT 128/Ritmo/Strada	2.82
10. Mercedes 200 Series	2.6

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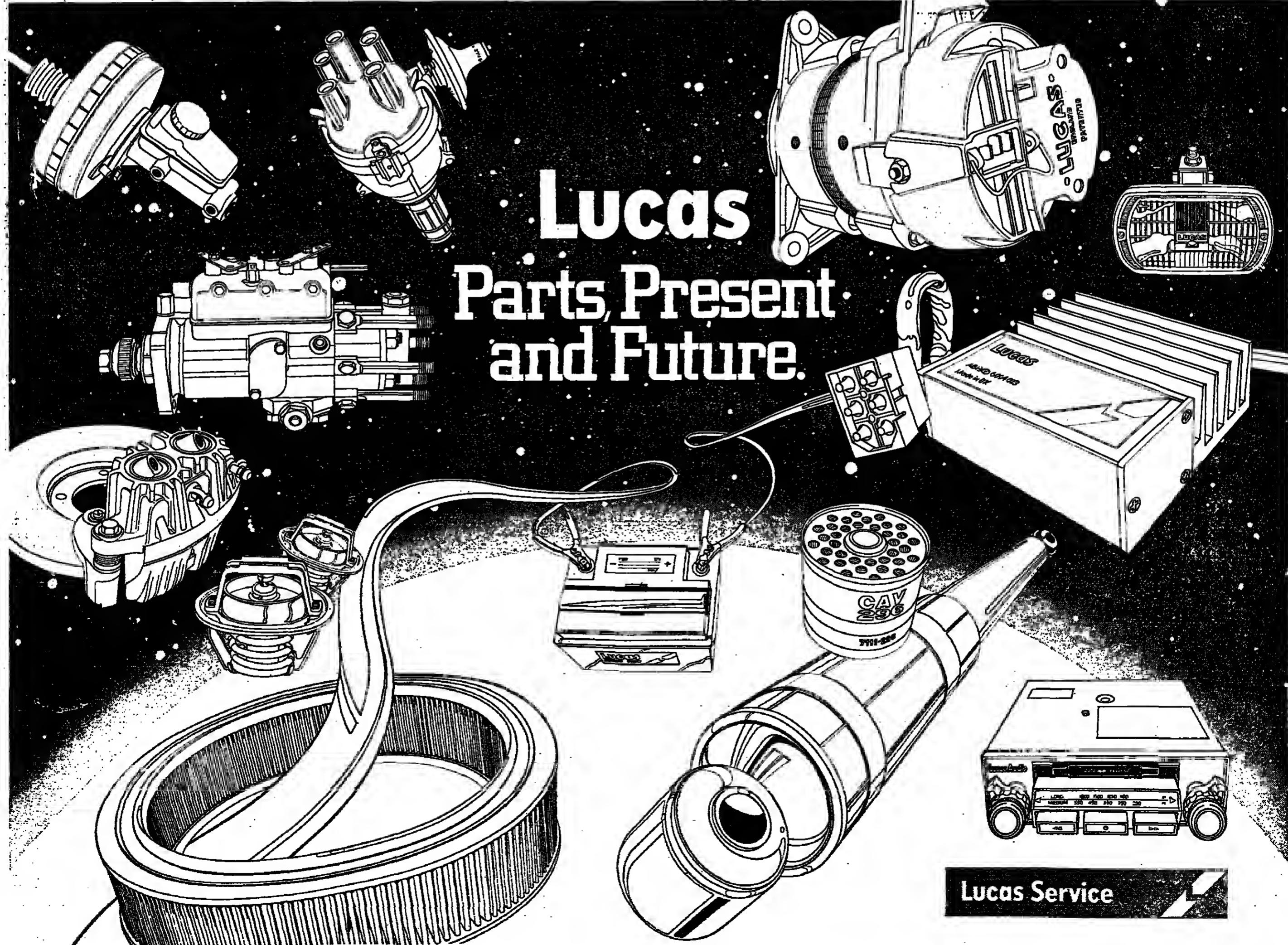
posals, its president, Mr. Anthony Fraser, urged that the EEC competition rules should not be used to prevent more European motor manufacturers getting involved in joint research and development.

As far as the Japanese—or any other country interested in setting up motor industry operations in Europe—they should be welcomed, but only if they agreed not to create extra capacity where there was already overcapacity.

The trade unions would like to see the European industry restructured. The Federation Européenne des Métallurgistes, representing 7m metalworkers in Europe, insists that there should be much more co-operation between the manufacturers. "And this needs persuasion by Governments."

However, this "persuasion" might not be necessary. The recession could well spark off a considerable reshaping of the industry.

Lucas Parts Present and Future.



EUROPEAN MOTOR INDUSTRY II



United Kingdom

A DETERMINED optimist might insist that this year has seen clear signs of a revival in the UK motor industry.

BL has launched its Metro on time and from a plant in which the very latest technology has been incorporated and where more flexible working arrangements are in evidence.

Ford's introduction of the new Escort reminded us that the group is still heavily committed to using Britain as an assembly base. Some £207m has already been spent at the Halewood plant where British Escorts are made and a further £137m will be paid out by 1985.

Compared with what might have happened at a plant with a reputation for volatile labour relations, Ford got the Escort into production at Halewood with relatively little trouble. Problems with the new equipment probably accounted for more lost output than the dispute which blew up but was solved fairly quickly.

Rolls-Royce Motors has not spent much more than pocket money in Ford terms—£50m over five years—but its new car, the Silver Spirit, a replacement for the Shadow, is just as important to Britain's prestige car maker's future as the Escort is to Ford. Before long a steady stream of De

Lorean sports cars should be coming off the assembly lines in the Northern Ireland plant which has received so much UK government financial aid.

There is good news also about Britain's trade balance in motor products. It swung back into surplus during the second quarter of 1980 after 15 months of deficit. The surplus was £72m against a £128m deficit for the first quarter and one of £287m for 1979 as a whole—the first year that the UK motors account dipped into the red.

The positive trend seems to have continued in the third quarter. The major influence on the trade front has been Ford's decision to keep its UK car assembly plants working more or less normally in spite of the recession and to supply British demand from Britain. As a result it has cut back imports of built-up cars from other European plants by up to half.

Major importer

In this context it has to be remembered that Ford was not only new car market leader in Britain last year; it was also the major importer. Ford's imports represented 13.8 per cent of the total market compared with the 5.97 per cent achieved by Datsun of Japan, the leading "traditional" importer.

Of the 485,559 new Fords registered in 1979 about 48.81 per cent were assembled out-

sida the UK compared with 35.2 per cent of the 392,866 sold the previous year. Ford fell marginally short of its target of capturing 30 per cent of the 1979 market—it ended with a 28.29 per cent share. The group's target for 1980 is 32 per cent.

To continue with the positive news, the UK industry, represented by the Society of Motor Manufacturers and Traders (SMMT), managed to squeeze further voluntary restraint from the Japanese manufacturers. The letter said they would continue to take a "prudent" view of the British car market—which was translated by the UK delegation as meaning that the Japanese this year would hold their market share to the 11 per cent level it reached in 1979.

The Japanese are going to extreme lengths to make sure they at least come close to this objective. One result will be that Datsun will probably lose its place at the top of the "traditional" importers league table to Renault of France.

On the debit side, however, we have the sad spectacle of a major shake-out of jobs in the industry. Much of it has to do with previous over-manning and the need for a big increase in labour productivity if the UK is to reach the best European standards.

But some of the job losses reflect the gradual decline of car manufacturing in Britain. BL, of course, accounted for

the major slice of the job losses. Some 30,000 have gone in the past three years—20,000 of them since last September. Ford, Talbot and Vauxhall have also called for voluntary redundancies or early retirements and short-time working is widespread throughout the UK.

The decision by Peugeot of France to restructure its operations by combining some aspects of the Talbot and Peugeot car businesses also carries the prospect of further redundancies before climbing back to 1m in 1981 and 1982.

While car sales soared last year, car production in Britain fell again, from 1.22m in 1978 to 1.07m. The Economist Intelligence Unit estimates that output will drop below the 1m mark in 1980, to around 950,000, before climbing back to 1m in 1981 and 1982.

BL is currently putting together its annual corporate plan for presentation to the Government and this will include a request for more State funds over and above the £130m already promised for 1981-82. Sir Michael's view is that, while Government money should not be used to cover losses, it is reasonable to ask for cash for the model development programme.

The group will only survive as a volume car producer—albeit "volume producer of specialist cars"—to use Sir Michael's description—it can rebuild its share of the total EEC market.

That will not be achieved without cars suitable for and attractive to the Continental markets.

If the Metro range, the Bounty (made jointly with Honda of Japan) and the LC 10 "family" do what BL expects of them throughout Europe, the car division could be back in the black by the mid-1980s.

Even before the Metro was fully launched the BL Board decided to give approval to the LC 10 project—a "family" of mid-sized, mid-priced cars. The first, the LC 10, a five-door hatchback, is due at the end of 1982. The second, code named AM2 (for Austin Morris 2) has a conventional three-box design with a boot at the back in order to appeal to the company fleet buyers who are so important in the UK car market. AM2 is due for a 1983 launch.

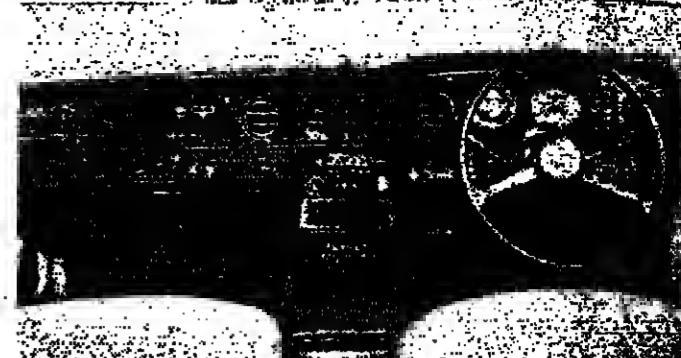
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Kenneth Gooding



Uncompromising quality in the Silver Spirit. Rolls-Royce Motors spent £50m on its development. Below: The Volkswagen Golf—here fitted with a 1500 cc diesel engine—is Europe's best-selling car with a market share of 4.6 per cent



Big drop in new registrations

now taking 2.4 per cent of all German car sales.

Domestic German car manufacturers have so far been cautious in calling for any sort of Government assistance to help stem the tide of Japanese imports, but there are signs that this could be changing. As late as the early months of this year German car makers were proclaiming their confidence that they could meet the challenge of Japanese imports because of their technological lead, but recent events have undermined that stance.

A number of motor industry leaders have called on the Japanese to exercise "self-restraint" in their car exports to Germany, and Herr Toni Schumacker, chief executive of Volkswagen, the Federal Republic's largest motor manufacturer, has warned that if the industry's own attempts at self-help are not enough, then the "politicians might have to step in".

More intensive efforts to streamline the industry were most immediately necessary to try to improve German productivity, but he stressed that manufacturers could not be held responsible for the much higher social costs they had to carry. Japanese manufacturing costs were at least 20 per cent lower than German levels, he said in a recent interview.

Self-interest

German manufacturers should no longer flatter themselves with the idea that their products had a pronounced edge in quality over the Japanese competition. But Herr Schumacker also warned ominously that the Japanese should restrain their car exports to the U.S. and to Western Europe out of "self-interest". The Europeans and the Americans could get by without the Japanese car market, but the Japanese would be lost without their overseas sales.

Behind the figures and the rhetoric, however, German manufacturers have also been taken by surprise by the shift in car demand within the German market. Higher energy costs have made fuel economy a big factor in new car purchases and have had a major impact on sales of models of 2 litres capacity and above. The manufacturers that have been most directly affected are Opel and Ford, which have both cut their workforces by around 6,000 in the last few months.

The resulting programme of early retirement and voluntary redundancy at Ford's plants in Cologne and Duren, is likely to cost the company up to DM 135m, with production workers being offered a termination payment of DM 8,000-DM 12,000.

Opel has had problems on a similar scale with sales of models such as the Rekord, Commodore, Monza and the Senator and it warned recently that it could well drop into losses on its operations this year. It also suggests, however, that the market might have reached its deepest point and demand from dealers in July and August point to there being some light at the end of the tunnel.

Volkswagen, the largest car manufacturer in the Federal Republic, has also been hit by the fall in demand for larger models and has had to introduce short-time working at its Audi subsidiary, where sales of the Audi 100 model in particular have plummetted.

Volkswagen, however, like all the other major car manufacturers, is pressing ahead with its massive investment programme, which is expected to total about DM 10bn in the three years to the end of 1982 in West Germany alone.

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Now work out the average mileage of your fleet, then work out the savings. You'll agree, they're quite impressive.

More time on the road.

We're so confident of the reliability of the Solaris 1.6 GL, that we offer the double cover of a 12 months' unlimited mileage warranty plus our "Extra Care Policy" which offers free replacement of six major wear items.

Major servicing is only required at 10,000 miles or 12 month intervals and oil changes are only needed every 5,000 miles or at 6 month intervals.

And again the figures speak for themselves. Calculated cost of routine maintenance over 48,000 miles: Solaris 1.6 GL £193.12 Cortina 1.6 GL £268.08

Which means you save 39% on running costs. (These figures are based on service schedules and times as published by manufacturers, and use a common labour rate.)

More money when you sell.

Because of our well-planned maintenance, the Talbot Solaris (indeed every Talbot car) should remain in top condition regardless of its mileage.

More space and comfort.

One of the many advantages of Solaris's front wheel drive is the extra roominess it creates inside the car, and the increased freedom of leg movement it allows. (Of course our front wheel drive also makes a hefty contribution to the Solaris's fuel economy figures.)

To ensure a smooth ride we've also added independent suspension, and as a luxury touch there's cosy cloth seats.

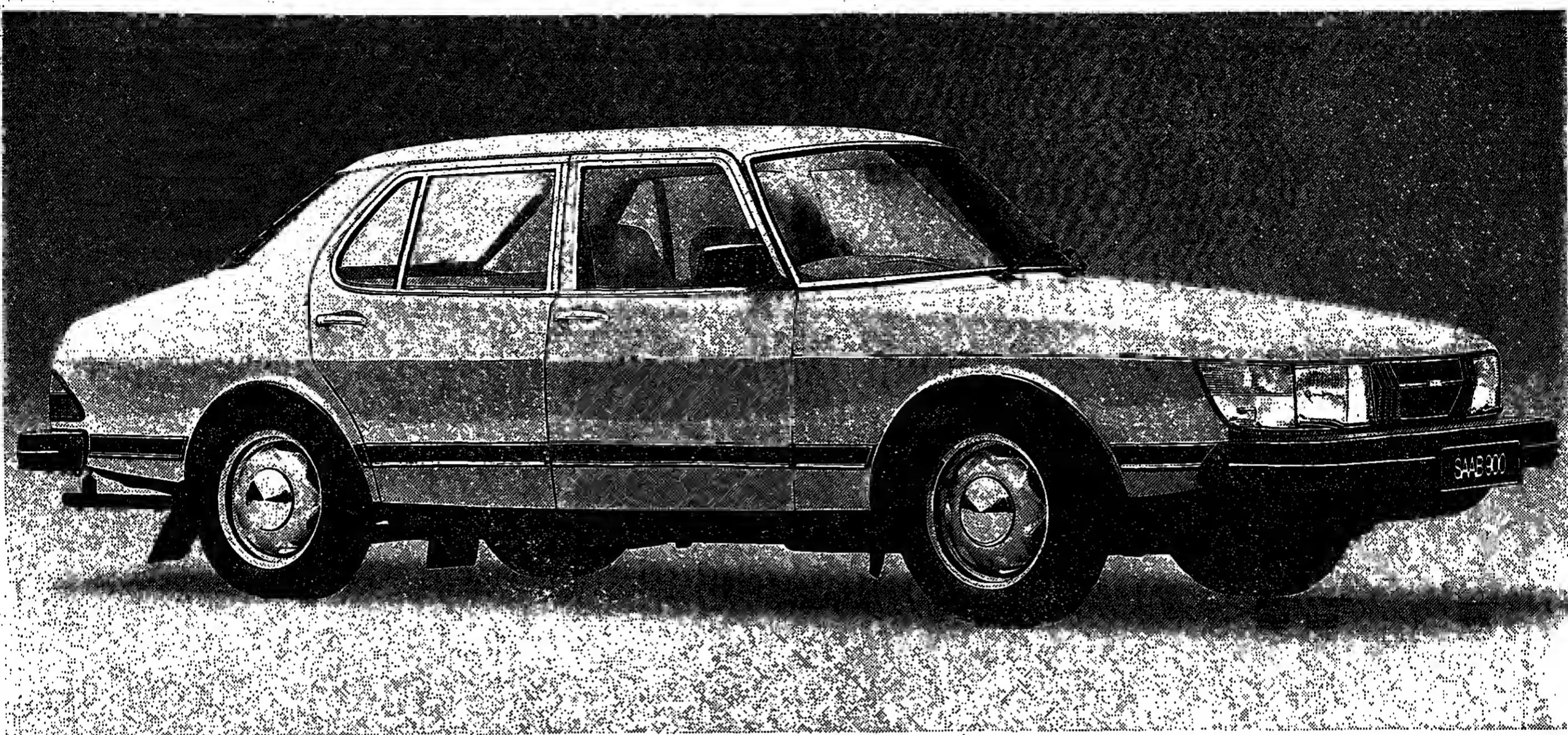
If you'd like to find out more about the fleet car that offers more, contact your local Talbot Dealer.

TALBOT SOLARA

ON THE MOVE.



IT LOOKS EXPENSIVE. BUT YOU KNOW WHAT LOOKS CAN BE.



Take a look at Saab's new saloon, the Saab 900 Sedan. Take a look at its elegant smooth lines. Pretty sleek, isn't it?

It must be pretty obvious, even at first glance, that our European competitors, and even our dear Swedish neighbours have got a real fight on their hands.

In the past, they may have had it all their own way, in what most people call the 'executive-car' class. But now with this new Sedan, we think they'll be completely outclassed.

It's not just the outer styling that looks luxurious. Inside smacks of luxury too, with new plush velour upholstery in some very swish colours.

Slip into the driving position and you'll find we've slipped in something that you only find in one or two of the world's most expensive cars.

A heated seat, to warm you up on a cold morning. (In our GLE and Turbo models the front passenger also enjoys this added luxury.)

As for the rear seats, we suggest you test them like you do a super settee. After all, they're made by one of Sweden's top furniture makers. So really sink into them, and enjoy the soft comfort of their cushions.

When you study their width and consider the amount of leg room the Sedan offers you, you'll soon realise how easy it is to send 3 back-seat drivers comfortably off into the land of nod.

One other thing which may surprise you about the back seat is that it folds down to give the boot a lot of extra feet. So you won't have to leg it

around searching for a roof rack, when you have a long load on your mind.

Of course, if you're really thinking of travelling fully loaded or towing a caravan, then it's doubly reassuring to know that, when you put your toe down, you've got 108 horse power and twin carburettors under your bonnet. Something which could get Volvo 244DL owners with their single carburettor really stamping their feet.

They may also kick themselves when they get their hands on the steering wheel, and find the Sedan has the expensive feature of power steering included in the price.

We're not talking about our GLE model that has a five speed gearbox and fuel injection. Nor are we talking about our Turbo model that has a top speed of over 120 m.p.h.

We're talking about the basic Sedan, the GLS. And as you've already gathered, the basic Sedan has far more expensive features than a lot of far more expensive saloon cars.

Which now brings us to the one thing that will really shock you. The price of the Sedan GLS is only £6,595 (including VAT and Car Tax).

Now do you believe the saying, that looks can be deceptive?

SAAB

THE NEW SAAB 900 SEDAN
MORE THAN JUST ANOTHER SALOON

EUROPEAN MOTOR INDUSTRY IV

Fiat and Alfa-Romeo are both planning changes which will have repercussions on industry as a whole.



Italy

Domestic market still holding its own



Spain

THESE ARE momentous times for the Italian car industry. As manufacturers throughout Europe feel the pinch of declining sales, and increasing encroachment by the Japanese car companies, the Italian industry has chosen its time to attempt to force through changes which will have implications throughout the coming decade.

Both major manufacturers, Fiat and Alfa-Romeo, are in the front line, and the pattern that finally emerges will have incalculable repercussions for the country's industry as a whole.

Ironically, the battle is being fought against the backdrop of a still-booming domestic market. If the standard axiom again holds true, that the Italian market follows everyone else after six months later, then a break in the sharply rising

trend of sales may be expected this winter.

But all is still well. Registrations were 18 per cent up in the first eight months compared with 1979 levels, and the final figure for 1980 sales is even predicted at 1.65m units, carrying Italy above the UK as a national car market.

But as the latest half year figures released by Fiat show, that on its own is not enough.

Fiat's slice of home registrations rose to 52.4 per cent from 50.3 per cent, but this was more than offset by a 22 per cent collapse in foreign sales (especially in Western Europe). Total car sales actually shrank by 2 per cent compared with the first six months of 1979, to 808,000 units.

It is this sharp eethack abroad which is the nominal cause of the cutbacks. The Turin-based group—the country's largest in private hands—is trying to force

through now, in the teeth of total opposition, not only from the unions but also from the bulk of Italy's political parties. Fiat is seeking 14,468 redundancies, out of a total Italian workforce in its car division of 117,000. Its intention is to reduce production by 20 per cent between now and the end of 1981, to prevent a pile up of costly unsold stocks, which by the end of next year would have reached 452,000 units on present trends.

Simultaneously the group has launched two initiatives designed to underline its own faith in the future. Despite the angry protest from its workers which has paralysed its Italian output, and negotiations with the union representatives which at the time of writing this article appeared deadlocked.

The first was the announcement of a joint venture with Peugeot of France to start work on a project for an entirely new fuel economic engine. If all goes well, it will power the small and medium models of a new Fiat (and Peugeot) range of cars.

Then, at the end of September, the group unveiled plans for a complicated capital raising operation which will generate £500m (£245m) of fresh funds, to underwrite its ambitions investment programme between now and 1985.

long way towards explaining just why so much heat has been generated by the proposed agreement for the country's second car manufacturer, the state-owned Alfa Romeo, to enter a joint venture with Nissan of Japan to construct 60,000 small cars a year. Two plants would be built in southern Italy, while the new Alfa-Nissan would be of value 80 per cent of Italian origin, and only 20 per cent Japanese.

These kind of figures cast a severe doubt over the recovery plus eagerly touted by Alfa, whereby the company would be in the black once again by 1983, and of course cancel out the largely successful efforts made to get the concern's north Italian operations at Arese, close to Milan, on a sound financial footing. They also made it hard to understand why Nissan whose productivity is among the highest of all, should ever have shown itself so keen to establish its foothold in the south.

Rupert Cornwell

Sales down and profits squeezed in worst year

of the summer holidays, witnessed a 20 per cent drop over the corresponding month last year.

The biggest falls in sales have been among those producers with either no, or a limited range of small cars. For instance, Talbot, which offers the 150 and 180 models in Spain, has seen sales drop by 39 per cent. Renault, on the other hand has increased its sales by 17 per cent and increased its share of the market by almost 10 per cent to nearly 40 per cent, largely because of the attractions of the R5 model. SEAT meanwhile continues to struggle, with sales down 32 per cent and its market share dropping almost 5 per cent to 28 per cent.

The first half of the year has

also witnessed the extraordinary spectacle of SEAT—the country's biggest potential producer—dropping behind Renault in production. The fall would have been more substantial had not SEAT been able to pick up export markets.

Indeed in the first half of the year SEAT sold more cars abroad than at home. Again this is unprecedented. Exports accounted for 54 per cent of total sales. The group is hoping that in the second half of the year domestic sales will pick up with the launch of the Panda model produced from new facilities at Pamplona and put on sale this autumn.

The eyes of the industry continue to be focussed on the problematical future of SEAT. Following Fiat's refusal to go

ahead with its plan to take over full control in May, SEAT's fate has been in the melting pot.

Committed

For the moment the Spanish Government is committed to the survival of SEAT, which employs 32,000 and indirectly provides jobs for up to 250,000. Both the Government and the SEAT management (now reverted to Spanish hands after nine months of Italian control) know that SEAT cannot survive in its present form as a "Spanish" company. Therefore the question is: who will be the new partner?

INI itself turned first to the Japanese producers, Toyota and Nissan, both of which have been sniffing around the prospect of moving into Spain. Nissan itself earlier this year bought into Spain by acquiring the 36 per cent stake held by Massey Ferguson in the agricultural machinery and light vehicle producer Motor Iberica.

The industry believes that the Japanese attitude will be decisive. Hence speculation continues to surround Motor Iberica. It is almost inconceivable that Nissan will content itself with a mere 36 per cent stake.

Just as important, Nissan—if the deal with Alfa Romeo in Italy finally does prosper—is believed likely to provide some form of tripartite link-up with Motor Iberica. The latter itself once built vans in Spain under an Alfa licence and contacts here continued. Equally, if Nissan is truly interested in

SEAT then the shape of these two Spanish companies could further change.

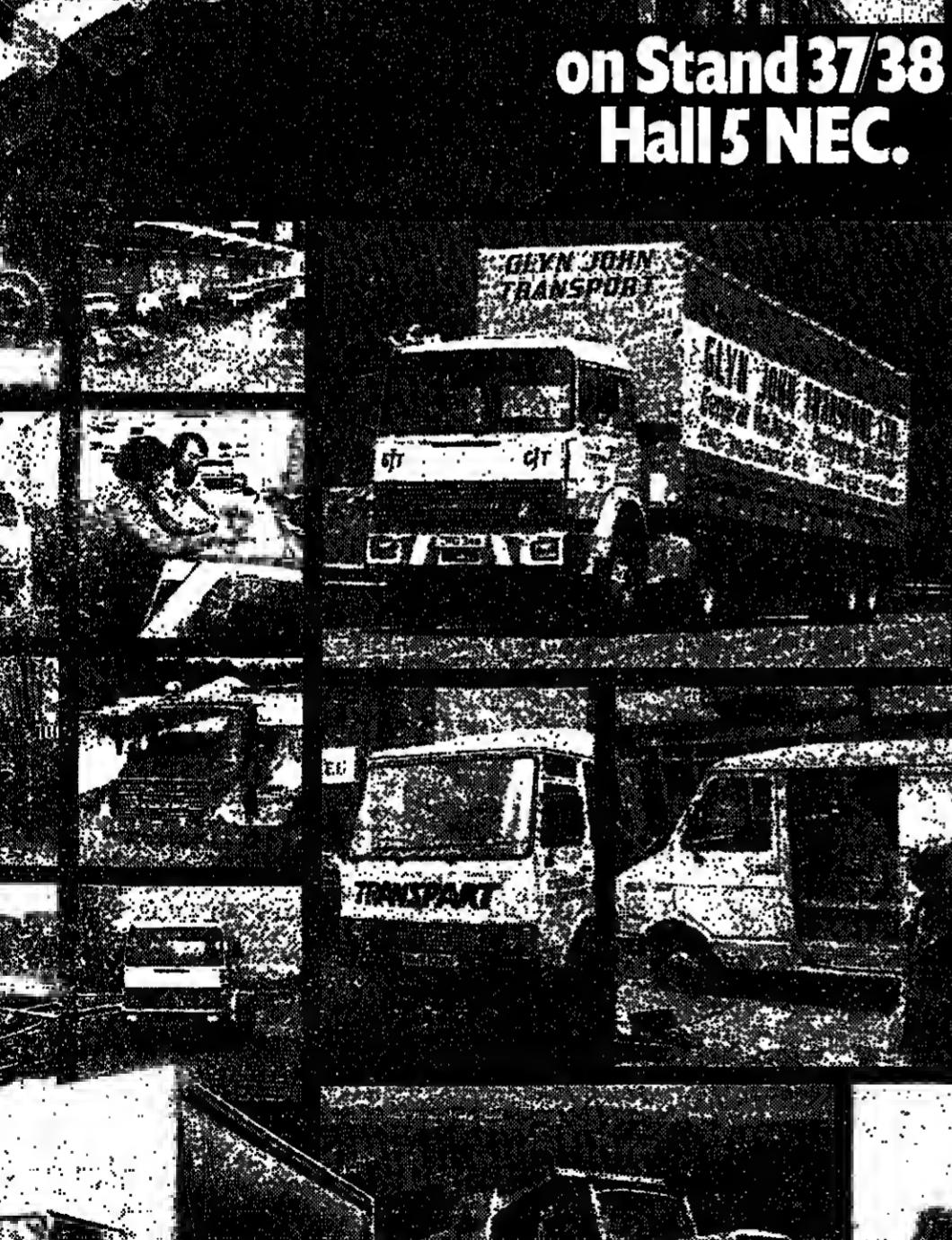
Against these imponderables there are a number of clear developments. The most important is General Motors' commitment to use Spain as a major new production centre for both car bodies and components for the European market.

Ford appears for the moment to have put on ice any plans for expanding the plant at Almussafes, currently producing the Fiesta. Last year Ford was actively considering Almussafes as one European site for the new Escort model but it seems that reduced demand projections and the tight state of the industry have inhibited such expansion.

On the industrial vehicle side Daimler-Benz has finally wound up almost two years of negotiations to take a majority holding in Mevosa. This company, one of the few in the INTI portfolio to operate at a profit, produces light industrial vehicles and has the concession to import Mercedes. Over the next three years Daimler-Benz will integrate this company and invest in modernisation of the plant.

On a large scale, International Harvester is poised to make a very substantial investment in Spain by acquiring a majority stake in the heavy vehicle producer ENASA (controlled by INTI) and building a new engine plant. It could plough up to \$600m into Spain if the full deal now under consideration goes ahead.

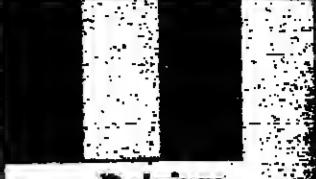
Robert Graham



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IVECO



Optimism in the longer term

BETWEEN the turn of the century and the outbreak of World War II Belgium fêtered a dozen or more different motor manufacturing ventures. The best-known was the Minerva, which was in production until 1939, the most unexpected probably those models built by Browning weapons, the Fabrique Nationale des Armes de Guerre, or FN. But output was low, Belgium's home market too small to provide a sound base for the industry, and so it collapsed.

Today, though there is not a single Belgian marque in existence, the country has another motor industry which has become of immense importance to its economy. It employs about 10 per cent of the working population — up to 375,000 — and in the last 20 years its share of total engineering exports has grown from 15 per cent to over 41 per cent.

Eight foreign assembly plants make up the Belgian industry, which with a combined turnover last year of about BEF 175m accounted for 10 per cent of all European motor manufacturing. With 85 per cent of Belgium's 1979 output of 1.08m units going for export, foreign exchange earnings amounted to over BEF 100m.

The largest producer is General Motors Continental, whose 340,000 Opels from its Antwerp plant accounted for 31.6 per cent of total automobile output last year. Ford, a close second, produced 29 per cent of total output at its Genk plant for Taunus and Transit models. Next came Renault and Volkswagen with 160,000 and 120,000 units respectively. Leyland Industries Belgium ranked fifth, assembling 52,000 Minis and Allegros at its Seneffe plant.

Sweden's Volvo, while coming next in terms of unit production, is nevertheless the third largest of the motor manufacturing operations in terms of turnover. Its 47,000 units output is more than 20 per cent made up of heavy commercial vehicles that raise sales to BEF 22bn.

Lay-offs

With the sharp downturn in economic activity in Europe, more than 40 per cent of the 60,000 people directly employed by the motor manufacturers have been hit by temporary lay-offs and short-time working since the beginning of 1980. And although operations such as those of Renault and Volkswagen have so far been unaffected because of sustained demand for their smaller models, the projections for the rest of this year are that the recession will bite harder still.

During the first half of this year Belgium's motor vehicle production dropped almost 6 per cent from 1979 levels, and the outlook for the next few years is equally discouraging.

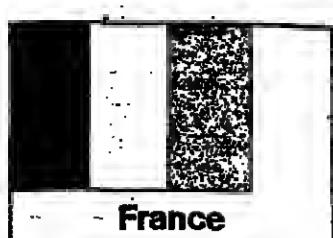
But the longer-term future, some observers insist, is not so dark, even though the Government views with some disquiet the drift southwards of motor industry investment in Europe to lower wage economies. By 1985 European demand is expected to have recovered to 11.25m units and the forecasts suggest that over the coming 10-15 years the European vehicle market should grow at a rate of between 3 and 3.5 per cent, as against two per cent in both the U.S. and Japanese markets.

In western European terms Belgium will remain on present trends an attractive location for assembly operations. Although wages are high in the Belgian industry—around 33 per cent above those in France or the UK—they are lower than in the U.S. and West Germany and are considerably counterbalanced by dramatic improvements in productivity over the last decade.

If Belgium can look at competition from other European motor industries with a fair degree of equanimity, the same cannot be said of its view of Japan. In the first half of this year one of the first victims to mounting Japanese sales was the Ford operation at Genk, where the Taunus model has come under heavy pressure from comparable Japanese vehicles. That West Germany has succumbed to aggressive Japanese motor industry selling—Japan had 2.7 per cent of the Federal Republic's home market in 1977, 5.6 per cent last year and currently holds around 9 per cent—in causing considerable concern in Belgium.

Giles Merritt

EUROPEAN MOTOR INDUSTRY V



France

Shift to smaller cars increases foreign penetration

four months all the 950 or so main dealers distributing Peugeot and Talbot cars in France are to be brought together to sell cars coming from each manufacturer. In due course the dealerships are expected to be welded together physically, through a series of takeovers, mergers and relocation of territory.

The same process is to be undertaken in West Germany. Italy and Belgium, the main export markets with an import-export organisation coming directly under the authority of Peugeot. In the UK, where Talbot is much the stronger company because of its production facilities, the fusion will be under the direction of the Talbot management.

This sales reorganisation is to be accompanied by a total restructuring of Talbot which effectively destroys the company as an independent operating unit within the group. Its component production subsidiaries are to be brought directly under Peugeot, along with its overseas companies. The rump of the business remains simply as a car manufacturing unit in France.

For the time being at least the Talbot marque name, on which a great deal of promotional money has been spent since the takeover, will remain. Peugeot says that the Talbot sales slots neatly between its own models, and that each will support the other in the showrooms. But competitors are openly sceptical that the Talbot name will be kept indefinitely. It is widely expected that in the longer run Peugeot will gradually absorb what is left of the old Chrysler business.

Already the reorganisation means that Peugeot's strategy for Talbot, designed to create a European-style General Motors with three marques running simultaneously alongside each other, has failed. Only two years ago, in the first flush of the takeover, Peugeot argued that Talbot would give the

group economies of scale upstream in manufacturing components, but greater impact in the market place because of the three different styling choices being offered to customers. It has not worked like that, at least in today's difficult market conditions.

"Renault can put all its efforts into one concentrated selling campaign; Peugeot has to split its budget three ways" is how one critic

Talbot's difficulties have been undoubtedly compounded by the sudden change in the market which followed the oil price rises of last year. The company was left without a really small car to face the shift in the market towards the bottom end of the range. Thus in the first eight months of this year, according to provisional figures, its sales dropped by 33 per cent in France, leaving it with only about 6.5 per cent of the market.

EUROPEAN MOTOR INDUSTRY VI

Japanese 'villains' must be placed in perspective

SOME EUROPEANS have cast the Japanese in the role of the villains of the world motor industry. Hardly a day goes by without the Japanese being castigated by senior European industry executives or vilified by trade unionists. The impression is given that the Japanese are hated, feared and almost entirely responsible for the current near-crisis conditions in the European industry.

Unfortunately, so much emotion has been generated that the facts are often obscured. So what are the relevant facts as seen through European eyes?

For a start there is the remarkable growth achieved by the Japanese industry since it was set up in the 1960s. From only 2.3m vehicles in 1966 output has grown to 10m in 1979.

For the first 20 years the industry was completely protected from outside manufacturers by impenetrable import barriers. As the Europeans often point out, the Japanese industry had reached the size of West Germany's the biggest in Western Europe, before those formal barriers began to be dismantled.

World car production rose from 30m in 1973 to 33m in 1979 and Japan alone produced

about half the extra 3m cars. Meanwhile the European and U.S. growth rates were zero. Europe's share of world car production was down from 38 per cent in 1973 to 34 per cent in 1979 and is likely to go on falling.

Looking at the statistics for individual countries over the five years 1973-1978, car production was up 58 per cent in Japan but only 8 per cent in West Germany, while it fell by 19 per cent in Italy and 39 per cent in the UK.

Over the same period Japanese exports rose 113 per cent, and French exports by 77 per cent. But German exports were 8 per cent down, those from Italy dipped 12 per cent and those from the UK dropped by 31 per cent.

At the same time Japan's share of the European market grew from 0.5 to 7 per cent in spite of the strict quotas imposed by Italy and France and the voluntary restraint on sales to the UK.

In the first half of this year Japan overtook the U.S. as the major vehicle-producing nation. Japan's car output jumped by 20 per cent in the first half compared with the corresponding period of 1978, which turned out to be a record year. But

U.S. production was cut by 20 per cent and European output by 10 per cent, leading to widespread lay-offs and short-time working.

What really worries the Europeans is that the Japanese already have announced investment plans which suggest their motor industry will continue to expand rapidly even though world demand for cars will move ahead only rather sluggishly.

"Whereas European manufacturers are conscious of the risks of excess capacity, this is clearly not the case with the Japanese," complained M. Francois Perrin-Pellelié, chairman of Talbot Europe, earlier this year.

According to Ford of Europe's estimates, Japanese vehicle output will reach 14.5m by 1985, of which 9.3m would be cars. Demand for cars in Japan itself, however, may expand by only about 800,000 to 3.8m. With only modest imports and some increase in stocks, Japan would still have 5.5m cars available for export.

Growing protectionism in the Third World will permit only modest expansion, so Japan's sales to the rest of the world would increase from 700,000 to 1.2m. This assumes that the

Japanese will go carefully in the U.S. and use some form of voluntary restraint and that, in any case, the U.S. manufacturers will become more competitive in their own market with new and smaller cars. Thus Japanese car sales to North America are forecast by Ford at 2.5m in 1985.

This would leave an export capacity of 1.9m cars to be directed towards Western Europe—that is if no action were to be taken to limit Japanese penetration. That would give the Japanese nearly 16.5 per cent of new car sales in Europe—projected to be 11.56m by 1985.

It is acknowledged that the Japanese success in world car markets has been achieved mainly because high labour productivity has enabled them to keep prices down. The current European estimate is that the cost of a car when it leaves a Japanese factory is 25 to 30 per cent below that of an equivalent vehicle at a European factory gate.

Comparisons about productivity are difficult to make because of the different ways the Japanese and Europeans operate. The Japanese buy in most of their components and actually sub-contract about 30 to 40 per cent of their production, whereas the Europeans are much more horizontally integrated, making more of their own components and certainly doing all their own assembly work.

But one crude example presented recently showed the leading Japanese manufacturer, Toyota, had produced 42.8 cars per worker in 1978, compared with Volkswagen's 13.6 and Fiat's 11.2.

The concern felt by the Europeans centres on the fact that

the Japanese productivity has little to do with the use of advanced technology within the car plants. If that were the case the Europeans should be able to catch up by using similar, or better, technology.

It is not just automation which makes the Japanese so much more productive. It is the peculiar Japanese approach to life which is an ingredient of the Western manufacturers cannot hope to match."

As M. Bernard Hanon, head of Renault's car business, put it: "The U.S., Canada and Common Market countries all have roughly the same objectives of lowering the working week, of giving social protection, earlier retirement, to limit the number of working hours in a year to 1,900 or 1,200 or 920."

"In Japan it is a totally different story and I am very sceptical of asking the European worker to go back to 2,100 hours a year production, no retirement pension, no social security, nothing."

Where the Japanese are more vulnerable to criticism is over reciprocal trade in automotive products. Against the 3.1m cars, 1.42m trucks and 39,000 buses Japan exported last year, it imported only 80,161 vehicles. Yet, as the Japanese point out frequently,

Japan has no tariff barriers while the EEC imposes an 11 per cent tariff on imported vehicles.

The problem for the would-be exporter to Japan stems partly from the distribution system in that country, which is many-tiered with each tier needing to make a profit. Then Japan has more car manufacturers and therefore is the least concentrated (as well as the least competitive) of the world.

On top of that, the Japanese have the strictest exhaust emission control laws in the world, not as a protectionist policy but because there are so many people living in such a little space.

Adapting a model to comply with the legislation and undergoing all the testing required is very expensive. The question is: Is Japan, a market of 3.5m worth the bother? The Japanese do not have to ask such questions about the U.S., where 9.5m new cars a year are sold, or about Europe, with over 10m.

Japan would also find it very difficult to bring the automotive trade account into better balance by buying more components from Europe. One reason car assembly operations are so profitable is that the system relies on a very low level of stockholding in all departments and the ability of component suppliers to deliver exactly the right number of components to the right specification literally on the very minute they are required at the assembly plant. In these circumstances why should the Japanese accept the long pipelines (full of stock) and the long leadtimes sourcing from the West would involve?

Japan needs a healthy motor industry. As it has grown more and more successful, so its role

JAPANESE VEHICLE OUTPUT ('000 units)				
	1978	1979	1980*	1982**
Toyota Motors	2,929	3,996	3,300	4,050
Nissan Motors	2,383	2,533	2,745	2,950
Toyo Kogyo	850	971	1,150	1,450
Mitsubishi	973	939	1,100	1,100
Honda	743	802	950	1,200
Izumu	408	425	465	600
Daihatsu	328	366	412	440
Fuji	205	234	285	420
Suzuki	248	345	380	445
Hino & Nissan Diesel	92	119	116	140
Total	9,269	9,635	11,903	12,795

*Estimated

over the question of whether Japanese companies should be welcomed to Europe on a joint venture basis. Both BL's deal with Honda and Nissan's involvement with Alfa Romeo have been heavily criticised as arrangements which have let the Japanese motor manufacturers into Europe "by the back door".

The French in particular seem to feel that the Japanese would be liable to take over the European industry in the longer term—given the strength of their home base. Others feel that by welcoming the Japanese to the West—either Europe or the U.S.—with the right kind of safeguards about a high level of local components in the products they produce, the peculiar advantages the Japanese enjoy will be neutralised.

For the Japanese this ambivalence attitude of the Europeans poses a major problem. Above all they seem to want to be loved. And they certainly don't want to set up operations in any country where they would not be entirely welcome.

Kenneth Gooding

JAPANESE VEHICLE EXPORTS (MILLION UNITS)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Total production	5.3	5.8	6.3	7.1	6.6	6.9	7.8	8.5	9.3	9.6
Exports	1.1	1.8	2.0	2.1	2.6	2.7	3.7	4.4	4.6	4.8
Exports as percentage of production	21.0	31.0	31.0	29.0	40.0	39.0	47.0	51.0	50.0	47.0
Cars	3.2	3.7	4.0	4.5	3.9	4.6	5.0	5.4	6.0	6.2
Exports	0.7	1.3	1.4	1.5	1.7	1.8	2.5	3.0	3.0	3.1
Exports as percentage of production	22.0	35.0	35.0	32.0	44.0	40.0	51.0	54.0	51.0	50.0

Overseas operations boost U.S. giants' depleted balance sheets

GENERAL MOTORS has a simply stated but less easily achieved objective in markets outside the U.S.: "to knock the hell out of the competition," in the words of Elliott "Pete" Estes, its president.

With annual sales of about \$60bn and world-wide production last year of 8,993,000 vehicles, GM is still undisputedly the world's number one manufacturer. It dominates the North American market, and has held on to a 45 per cent market share even as that of its main rival, Ford, has slipped from 22 per cent to 16 while imported small cars have risen to 27.6 per cent.

But that share has been maintained at a price, as GM has raced with Ford and Chrysler to provide the small cars which Americans now clearly want

and which the U.S. majors equally clearly have been too slow to provide. This year, despite U.S. sales and heavy investment to meet the changing pattern of demand mean that GM's new chairman, Mr. Roger Smith, will announce a loss this year of about \$800m. Ford's loss is likely to be double that.

Like Ford, GM's balance sheet is being bolstered by its overseas operations. But it has been slower than Ford in appreciating the importance of markets outside the U.S. and developing a suitable overall strategy for them. That has been made easier by the emergence of the "world car" concept, in which one basic design with many common components can be sold in all major markets.

GM's earlier forecast that European car production would rise to 13.7m by 1985 is now accepted as optimistic—the latest Economist Intelligence

Nevertheless, in the first half of this year, GM sales in Western Europe, mainly of Opels, gave it only 9.4 per cent of the market and sixth place among manufacturers, against 12 per cent and fourth place for Ford.

Saturated

But it is more than a matter of pride that GM is intensifying its efforts to catch up with Ford in Europe. The North American market is close to saturation. Sales may yet be clawed back from Japanese imports, but for longer term growth GM must look overseas.

GM's earlier forecast that European car production would rise to 13.7m by 1985 is now accepted as optimistic—the latest Economist Intelligence

unit forecast is that it will drop from 11.31m last year to 10.34m this year before climbing to 11.8m by 1985—but GM insists that there is scope for growth which has been only delayed by recession and despite the gradual closing off of Third World markets as their own industries develop.

It has backed its conviction with an \$80m overseas investment programme for 1980-81, some threequarters of which is being spent in Europe.

The largest single chunk of the investment is the plant now being built at Zaragoza, Spain, which with an annual capacity of 270,000 vehicles will increase GM's European capacity by about a quarter. It is to be operated by GM Espana and will take GM into the highly competitive mini hatchback arena

Renault may lift stake in AMC

ABOUT THREE weeks ago Renault announced it was increasing its stake in American Motors, the deeply troubled fourth-largest U.S. car manufacturer.

The move, costing Renault \$200m, lifts its holding to 46 per cent and this may increase to 49.9 per cent by the end of this year. It comes on top of the \$150m Renault agreed to commit last year to a co-operative deal with AMC to build a French-designed medium-sized car in the U.S. in 1982-83.

For AMC, expected to make a record loss this year of \$150m, the deal may provide the resources to launch badly needed variants of AMC or Renault cars twice a year up to 1985.

For Renault, it offers the prospect of strengthening its foothold in the North American market. Apart from access to AMC's 2,700 North American dealers with possible production in Mexico as well as result of the AMC buy-up. To the R5 model which has been marketed in the U.S. for the past two years, it is soon to add the R12 range of medium saloons.

North America is by no means the only area of expansion for Renault, which last year was Europe's third largest car producer with a 1.4m output against Peugeot's 2.2m and VAG Volkswagen/Audi's 1.6m. It is seeking capacity in Portugal and last year signed a major co-operation deal with Volvo involving Renault taking a 20 per cent stake.

Bur for Renault, no less than for the other European majors, success in North America has become vital as they look beyond European frontiers to the global strategies necessary if they are to survive as volume producers by the end of the 80s. Volkswagen, already well represented in North and South America, is furthest ahead in the North American stakes. Its first car assembly plant at Westmoreland, Pennsylvania, has been operating since April 1978, and it is still investigating sites for a second aimed at lifting capacity to 500,000 cars a year in line with its target of capturing at least 5 per cent of the U.S. market by 1984.

It is already well on the way towards achieving that target: last year it sold 167,000 U.S.-produced Rabbits (Golf in Europe) and 257,000 imported Volkswagens and Audis for a combined market share of 2.8 per cent against 1.8 a year earlier. Only capacity shortages stopped it advancing further.

Production is also well under way of diesel Rabbits, predicted eventually to account for about half of demand, and in a U.S. which has become sensitive on the topic of imports, domestic component sourcing has risen to over 50 per cent, with the target being to cover all components except engines and transmission—and, eventually, those as well.

For Renault, it offers the prospect of strengthening its foothold in the North American market. Apart from access to AMC's 2,700 North American dealers with possible production in Mexico as well as result of the AMC buy-up. To the R5 model which has been marketed in the U.S. for the past two years, it is soon to add the R12 range of medium saloons.

Breaking into the U.S. is seen by Peugeot's management as the best way of reducing its heavy dependence on Europe, which accounts for well over 80 per cent of sales.

A jointly developed car for the U.S. is expected—almost certainly a vital step for Peugeot if it is still to be at the top of the European league table by the end of the 80s. But this will take at least three years. In the meantime, Peugeot is to supply Chrysler with components and receive help in selling its own cars in the U.S. as part of a deal which also includes the loan of \$100m guaranteed against the shares Chrysler holds in Citroen.

The U.S. outlets for Peugeot should increase by about 100 from its present 300 over the next two years and Peugeot hopes to lift sales from last year's 12,000-8,000 of them diesels—in 50,000 by 1984, when the joint car should arrive.

John Griffiths

EUROPEAN MOTOR INDUSTRY VII



Volvo's 244 GLT (top) offers stimulating performance. The Renault Fuego (above) is selling well in France and comes to Britain later in the year

Joint ventures help companies keep costs down

LAST MONTH Fiat and the Peugeot group—comprising Peugeot, Citroen, Talbot—announced an agreement to produce jointly 1m engines a year.

The engines will be of an all new design, expected to power smaller cars for both manufacturers. The manufacturing site has yet to be decided but production is planned to start by 1983 at earliest.

It is by no means Peugeot's, or Fiat's only co-operation deal. Citroen is to produce jointly with Fiat a small utility vehicle in Italy. Peugeot and Fiat are jointly to make steering systems with Fiat at La Rochelle. The two companies have also an agreement to group their activities in Argentina, combining production and sales outlets.

Peugeot also supplies diesel engines to Ford for its Euro-

pean Granada models (though Ford has just completed a deal with BMW for the latter to supply diesels from the Austrian plant being built as a result of its own co-operation with Steyr-Daimler-Puch).

And both Fiat and Peugeot are co-operating with EL, Renault, VW and Volvo on long-term research.

In the past year the list of co-operative projects has lengthened considerably as car manufacturers seek to share the enormous costs of developing and making new components and achieve the international economies of scale which have become essential to survival in the 1980s.

The list of substantial joint ventures has now reached about 70, and a schematic illustration of the manifold links now operating between major makers has all the

appearance of a highly complicated wiring diagram.

The next few years will see the list grow longer yet, as change comes to the industry at accelerating speed. As M. Bernard Vernier-Paliez, Renault's chairman, declared recently: "The history of the world is made up of long periods when nothing much happens and then times when great changes take place very quickly. The motor industry has left the first phase and entered the second."

To the energy crisis-induced pressures to produce new, lighter and more fuel-efficient vehicles, particularly in the U.S., has been added in the past 12 months the onset of recession which is serving only to accelerate the huge process of rationalisation now under way.

A major study published earlier this year by the Economist Intelligence Unit sug-

gests that by the end of the decade the world-wide motor industry will be concentrated on eight world companies, four of them European: Peugeot, Renault, Volkswagen and Fiat. It contended that "only those companies which are able to support an annual world-wide output base of 2m units plus-of-a rationalised product range—will be capable of securing the economies of scale in component and sub-assembly to retain an existence completely independent of other groups."

This does not mean that there is necessarily no future for medium or even small sized companies, only that the necessary economies of scale will have to be achieved by trading or other links with their erstwhile rivals.

There is little scope for re-peets of Peugeot's leap into the 2m-plus bracket by the

acquisition first of Citroen, then Talbot. (Last month's announcement that Talbot was to be restructured, its dealerships being merged with Peugeot's and its status reduced to little more than a design and assembly operation, indicates that in general and resources terms, Peugeot may have bitten off more than it can chew.)

But the scramble into joint ventures which has been taking place illustrates clearly the awareness of the other companies that they cannot afford to be left behind.

One good example was the deal announced by Renault and Volvo to link their car operations more closely, involving Renault eventually acquiring a 20 per cent stake in Volvo for around £40m. The companies remain competitors in world markets.

Both, with Peugeot, for

several years have been partners in Franco-Gnevelsiedes Motore (PRV), which provides engines for their larger model ranges.

Elsewhere in Europe, Saab and Lancia, owned by Fiat, are jointly developing cars for the mid-80s and Lancia's small Delta, the 1980 car of the year, is already being marketed in Scandinavia with Saab badging.

Perhaps the most controversial is EL's co-operation with Honda to produce the Honda from the middle of next year at an annual volume of up to 100,000. Other European makers may regard it with anxiety as opening the door to the Japanese in Europe, but for EL it may be an important route to salvation, with other collaborative projects with Honda following.

John Griffiths

1980: a vintage year for car buyers—and for new models

THE MOTOR industry may prefer to forget 1980, but for the car buyer, it has been a vintage year. Recommended list prices have become no more than a basis for negotiation in all but a handful of makes. BL in particular has slashed prices in a bid to buy market share and clear surplus stocks.

And the new models—entirely new, or just new to Britain—have come forward in an endless flow.

Of the cars I have written about in the Financial Times this Saturday motoring column this year, 25 have either been new arrivals on the British market, or they will go on sale here soon after making a UK debut at the Motor Show.

The Alfaud, smartened up in detail externally and now offered with the 1.5 litre, 95 horsepower Veloce engine, continues to astound with its impeccable handling and sheer brio though its styling is beginning to age. Later in the year the Alfa 6, the first big multi-cylinder saloon from Alfa Romeo for 15 years, entered Britain to lock horns with top executive cars like Mercedes, BMW and perhaps even Jaguar.

Audi's 200 Turbo demonstrates that a small engine in a large car can, with the aid of a

turbocharger, give a 120 mph-plus maximum, dashing acceleration, and given a sensible right foot, a reasonable fuel consumption.

Much the same engine powers the astonishing Quattro. For me, this is by far the most interesting car to appear this year, with its four-wheel drive giving it a seemingly invincible grip on any kind of surface.

The front-drive only Audi 80 coupe shares the Quattro's surprisingly roomy body, with five-speed manual gears it is fast with a great economy potential.

No British car has ever been launched on such a tidal wave of goodwill as the Austin Metro. It is bound to do well in Britain, but its prospects in export markets are less assured. With its hatchback body, fall-away front end and exceptional interior space, it is a logical development of the Mini. The pity of it is that it did not appear five years ago.

The fastest car I have driven this year is the BMW 323i, perhaps the final "stretch" of the eight-year-old 5-series. Dropping in a fuel-injected 3.5 litre straight-six from the 635 coupe has given this full 4/5 seat saloon with a big boot the kind of performance one can only begin to exploit on the autobahn. Top speed is 140 mph. The

0-60 acceleration a chattering 7 seconds (marginally better than the much dearer 635 coupe).

Fiat's Panda, which is being displayed at the National Exhibition Centre but will not go on sale in Britain until next spring, is a logical, rather more refined variation on the Renault 5. Citroen deux chevaux theme. Though not quite the equal of the BL Metro in space utilisation, it does have a clever rear seat which can be turned into anything from a child's hammock to a double bed.

Level terms

The new front-drive Escort puts Ford on level terms at last with VW (the Golf), Fiat (the Ritmo/Strada), Renault (the R14) and other makers of classic European-style family hatchbacks. The overhead cam-shaft engines of 1.3 and 1.6 litres capacity are as good as any in their class and the transmission (four speed manual only) is sweetly silent.

The only question mark is over ride comfort. For a brand new car with all-independent suspension, it can't be surprisingly joggly over secondary roads and the seat springs make things worse, not better.

Lancia's Delta, though based

on a modified Fiat Ritmo engine and transmission, is a car with a character all of its own. The ride is good, the banding sporty and the refinement in the executive car class, providing engine revolutions are kept within sensible limits.

Am I alone in thinking that this "three box" derivative of the Beta is vaguely reminiscent of the 20-year-old MG Magnette?

The Land-Rover V8, with the Range Rover's power train, is marvellous on very rough country and agreeably brisk on the highway. One wonders, though, if an inevitably thirsty 3.4 litre petrol engine is what the buyer of a tough, four-wheel drive vehicle wants? This is an area where the diesel has become king.

The outwardly unchanged Mercedes 200 and 230 benefit greatly from receiving new engines that are, of course, destined for the lightweight Mercedes of late 1981. They are quicker—the fuel injected 230 markedly so—yet more economical, and the new four-speed manual gearbox is now smoother, more economical and makes for more relaxed motorway driving. The 1.3 Ital, though not as fast, is a pleasant package than the 1.7, which has the O-series overhead camshaft engine. Ride is acceptable; handling and steering no more than adequate. But the pricing is keen enough to attract the fleet buyer, which is what the Ital is all about.

Turbocharging the 2.3 four-cylinder diesel gives the big Peugeot 604D Turbo an accept-

able performance and—providing it is driven by someone who understands a diesel engine's characteristics—yields remarkable economy with reasonable acceleration and quiet motorway cruising. One of the cleverest estate cars to appear this year is the Peugeot 305 with a redesigned rear suspension that causes no obstruction to the load space. Petrol or diesel engined, this car may do wonders for Peugeot's share of the medium-size estate car market.

Brave attempt

Rellaot's GTC is a brave attempt by a small, independent manufacturer to create a car in the little lamented Triumph Stag's image out of the elderly Scimitar GTE. It is fairly successful, though the price does look high against the Volkswagen Golf convertible, also a four-seater and nearly as quick despite having little more than half the cylinder capacity.

It has been a good year for convertibles because a third one—the Triumph TR7 soft top that was launched in the U.S. last year—came on the British market. If all BL cars were as good as this, BL would be paying dividends again. The TR7 soft top is fast, handles well,

and is sufficiently muscular to please the sporting driver. Yet it rides with resilience enough to appeal to the motorist who just wants a comfortable, nicely furnished, personal kind of car.

Renault's 4GTL is still the classic cheap tin box, more of a domestic appliance than a car, but still invaluable for shifting really awkward loads. (Is there any other estate car that will carry a Chesterfield sofa?) The GTL has a larger engine and much higher gearing, making it faster, quieter and more economical of fuel.

New Renaults reaching Britain soon are the 18D and 20D, both with a diesel version of the 2-litre all-aluminium petrol engine used in the 20TS and Citroen Reflex and Athena. The 20 diesel goes well, with a usefully "tall" fifth gear for quiet, economical cruising; the 18 diesel promises to be better still.

The Fuago, a sleek looking coupé with a hatchback and almost as much interior space as a saloon, has been doing well in France and comes to Britain by the end of the year.

The Rolls-Royce Silver Spirit, the longer wheelbase Silver Spur and the mechanically identical Bentley Mulsanne replace the 15-year-old Silver Shadow. It looks longer, though

Stuart Marshall

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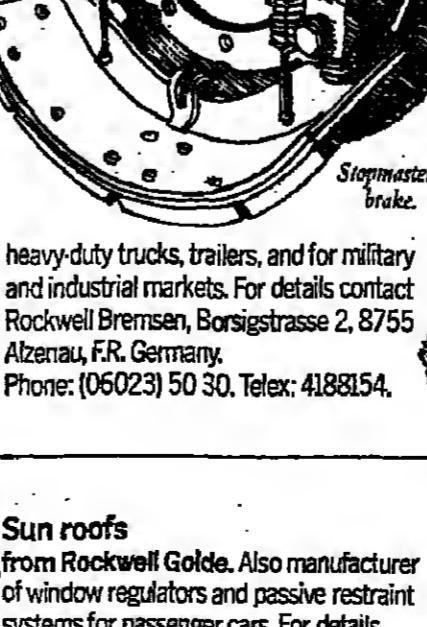
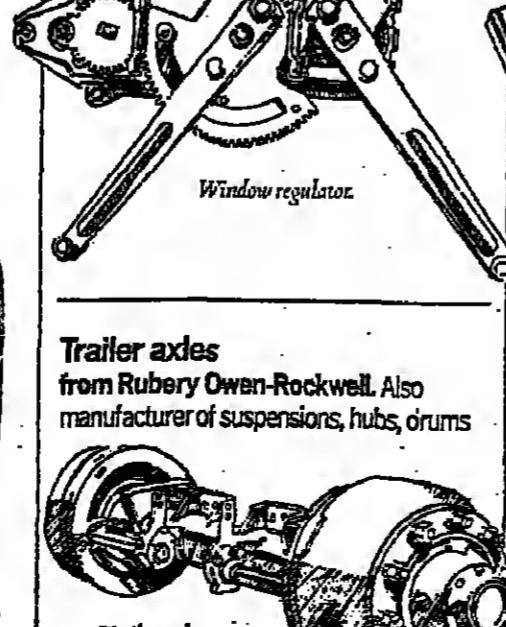
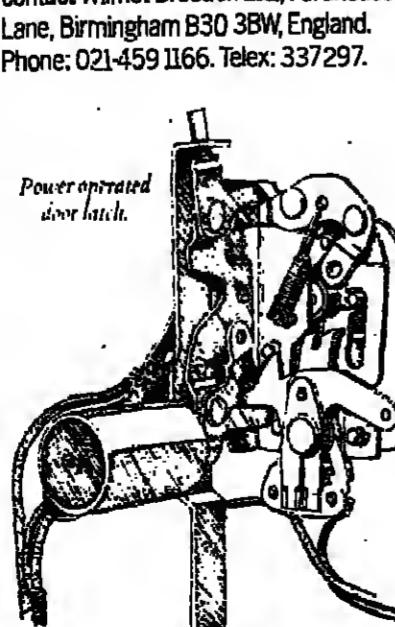
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John Lewis

BRITAIN'S EDUCATION SYSTEM

The cuts get closer to the core

GOVERNMENT services do not welcome Sir Derek Rayner's investigation into how their efficiency compares with that of Marks and Spencer, of which he is joint managing director. But few would deny that the investigation carried out on the Prime Minister's behalf, is needed.

In the education service in particular, unprecedented financial cuts have made efficient management more than ever necessary. As yet the economists have not seriously undermined the essential parts of the education system. Unless the effects of the economies can be sensibly managed, however, there is a fear that by the end of next year irreparable damage may have been done.

But the Department of Education and Science feels that it has a ready riposte to Sir Derek's inquiries. What would be his chance of managing efficiently if Marks and Spencer were run on the lines of the UK State education system?

This has some 36,000 serving branches in the form of various kinds of schools, colleges and universities and through them more than a million staff, of whom around 850,000 are engaged in teaching, deal with over 12m full- and part-time pupils and students with markedly differing needs.

But size is less an obstacle to efficient management than is the system's complexity. The 44 UK universities have their own separate managements and so stand apart from the rest of the service, which consists of approximately 900 nursery, 27,000 primary, 6,000 secondary and 1,800 special schools, and well over 600 further education colleges, including 30 polytechnics.

The schools and colleges in Scotland, and in Northern Ireland again are managed separately. And while their counterparts in England and Wales are under the national

sway of the Whitehall Department of Education and Science, they are directly administered by 104 different local education authorities which are very much laws unto themselves.

Each authority has power largely to decide what is spent on its area of education service, and how this is defined and otherwise organised. But control over the educational "product"—what is taught and by which methods—is in effect exercised by the head and teaching staff of each of the thousands of individual schools and colleges. So, to an important extent, is control over the detailed spending of the school's or college's budget.

If this labyrinth—now absorbing around £9bn a year—were aspects of it which can best be presented to their advantage electorally.

So it is not only the many local variations that obscure the realities from the view of the taxpayers and ratepayers who finance them. There is also a tendency for the accounts of educational events given to the public to be markedly different from what is actually happening.

The result is exemplified by the struggle central Government is having with some local authorities about its policy of reducing public spending, of which education represents the greatest single element under local control. As exhibited to the electorate, the divisions are clear cut.

On the one hand stands the Conservative central Government whose Ministers have consistently stated that educational savings, in particular, need not impair the essential core of the service. The Government's planned economics and its view of their effects evidently have the wholehearted support of the "professional managers"—the senior civil servants—who run its services. The policy of reductions also has the apparent acquiescence of the politician-directors and the professional managers of most local authorities.

On the other hand are 14 local authorities, all but one under Labour control, which are resisting the economies, on the grounds that they will deprive the local electorate of services which the majority of ratepayers rightfully wish to be maintained. The politician-directors of the dissenting areas equally have the evident support of their local authority professional managers who run the services of their authorities.

But if civil servants and local authority officials were freed from the tradition of loyalty to



Students march through London in protest at Government cuts in education.

Michael Dixon,
Education
Correspondent, takes
a personal look at
Britain's education
system and the ways in
which Government
cuts are affecting
the service it offers.

to be properly compared with the management structure of Marks and Spencer, account would need to be taken of a further factor: but, given the traditional loyalty of employees of governmental organisations to their current political masters, it is a factor which no educational official would even mention to Sir Derek.

It is that the boards of directors of the various national and local branches of education are not composed of professional managers. The directors are politicians whose prime interest is less in the realities of education than in those

national and local levels would no doubt show several differences from the public platform of politicians on the Labour side. The managers would not generally endorse the Labour tenet that savings in public spending on education necessarily diminish the quality of the service. Nor, for another example, would the managers support the Labour politicians in blaming the Government's economies for "horror" such as schools with severe shortages of basic materials like books and even paper. The managers know that the main cause of shortages of this kind is almost

certainly bad management of a school's budget by the head teacher concerned.

Equally, the senior civil servants and local officials would disagree with the Conservative Ministers' statement that the economy need not damage the central core of State education. This is now regarded as the teaching of children between the compulsory school ages of five and 16, and at a time of high youth unemployment, the provision of courses in working skills for 16- to 18-year-olds. The pressure of youth unemployment has doubtless played a large part in the overspending of areas such as Sheffield where the number of jobless 16- to 18-year-olds doubled to 4,800 over the 12 months to September.

As a whole the local authorities have managed to protect the core fairly well while coming reasonably close to achieving the economies required by the Government. The main exception is a shortfall of roughly £140m on the projected savings in school meals. But this should be eliminated in 1981-82, especially if more authorities follow Dorset in going beyond increasing the price of a school dinner to 55-60p, and ceasing to serve hot meals to their primary school children. Other non-core elements which have borne the brunt of the cuts include adult education and nursery schooling.

The result is that the core has so far suffered only minor injuries. These vary widely from locality to locality, but they include reductions in the remedial teaching of basic literacy and numeracy, the withdrawal of minority subjects such as Spanish, and shortages of materials for crafts lessons. Even so, there is now a consensus among the managers of the education service to the effect that the core is bound to suffer more serious damage before long.

This is not to say that they generally believe it is already crumbling. The education service is still far from being crumpled, though the impression that university does are contractually entitled to life-tenure of their post is a myth, except in a few instances such as Oxford and Cambridge. And it seems possible that even in these life-times has been annulled by the recent legislation on employment.

But the professional managers of education have strong reasons for believing that they would be prevented from applying these measures—and prevented by their own politicians—directors, regardless of party allegiance. Local councillors and MPs have, for example, been very reluctant to resist pressure groups opposing the closure of schools with too few pupils in their constituencies. The Government itself seemed less fully determined to force through the House of Lords legislation permitting local authorities to economise on the cost of transporting children to school.

The civil servants and local authority officials who run education know and are broadly agreed how economies could be made without seriously damaging the central core or even sacrificing improvements to the quality of teaching. But the most likely prospect is that they will instead be pushed into cutting at the core by the political interests of their boards of

their respective political masters, a different view would emerge. Regardless of the clear-cut dispute between Conservative Ministers and the dissenting local politicians, there is a large measure of agreement between the educational civil servants and their counterpart officials in the resistant authorities, only five of which run their own education service. These are Newcastle-upon-Tyne, Sheffield, and the outer London boroughs of Brent, Hounslow, and Waltham Forest.

The broad consensus among the professional managers at

Letters to the Editor

The rating system

From the Editor, Assessment

Sir.—David Liss (October 9) once again wheels out several boary chestnuts in opposition to the rating system.

He claims that it is absurd that a widowed lady with an income one-tenth of his own is assessed for the same amount of rates as he is, living in the house next door. But rates are a tax on consumption—the consumption of housing.

For example, if Mr. Liss's widowed neighbour owns a car, she will also pay the same amount of vehicle excise duty as he does—regardless of income. If she buys Wilton to carpet the floor of her no doubt identical living room, she will pay the same amount of VAT on it as Mr. Liss will. The criticism that the rates bill ignores the income of the ratepayers could equally well be levelled against any other consumption tax.

So too could the claim that rates are unfair because half or less of wage and salary earners pay domestic rates. The same is also true of tobacco tax, excise duties, vehicle excise duty. If I choose not to be a householder, and to live in the home of my parents I will pay no rates (at least not directly). But the same is also true if I choose not to own a car, and to take a lift from a friend.

If domestic rates were to be abolished there would be no tax on the consumption of property—a situation which would make the UK almost unique in the Western world. Rather than tilting at windmills, critics of rates should look at the real sources of inequity in the system: the failure to have a regular revaluation, which allows people with the money to improve and extend their homes to avoid paying the increased rates which would be due, at the expense of those who are unable to do this. A regular revaluation, and a switch to basing rates on capital value rather than the more arbitrary rental, was advocated by the Layfield Commission—a costly exercise which seems to have been put on the shelf by the Government.

I suspect that any future inquiry into the domestic rating system can only conclude that there is a role for a tax on the consumption of property, and that to delay these essential reforms in the pursuit of a mythical alternative is to perpetuate the already well-established inequities of the tax.

John Willman
Assessment
Inland Revenue Staff
Federation
7, St. George's Square, SW1.

In this conurbation of Royal Tunbridge Wells there are roughly 15,000 ratepayers, and over 34,000 electors. Some of the surplus undoubtedly make some kind of contribution (indirect) but it is equally certain that many of them get their services paid for by others. It should not be necessary to argue the palpable unfairness of such a system.

W. Shepherd (Councillor),
Town Hall, Tunbridge Wells, Kent.

It is that the boards of directors of the various national and local branches of education are not composed of professional managers. The directors are politicians whose prime interest is less in the realities of education than in those

and will also involve staff and other costs. I agree with both points. But anything worth doing is bound to cost money; and interfirm and inter-authority comparisons are one of the cheapest and most effective ways of stimulating and enabling management to identify areas for improvement, and to take practical action.

Mention has been made of the need for comparative studies to be carried out by an independent "outside" body, which would do the job thoroughly and professionally. I quite agree.

L. Taylor Harrington,
Centre for Interfirm Comparison,
8, West Stockwell Street,
Colchester, Essex.

In these daunting circumstances I would submit there is an urgent need for some form of public investigation, whether parliamentary or otherwise, into all these matters. Time is appallingly short.

Hugh Leggett,
Leggett Brothers,
17, Duke Street,
St. James's, SW1.

Such examination would be nothing more sinister than the expression of a legitimate interest of "shareholders' representatives" in the affairs of publicly owned companies.

Mrs. Vilma Fleckmann,
Bath University Centre for
Fiscal Studies,
University of Bath,
Claverton Down, Bath.

Such examination would be nothing more sinister than the expression of a legitimate interest of "shareholders' representatives" in the affairs of publicly owned companies.

John Head,
Didsbury, Manchester 20

Within the current review of the "Role of the comptroller and auditor general" he should be granted access to the books and records of the nationalised industries to examine their efficiency and following his report the industries examined by the public accounts committee or similar Parliamentary committee.

Such examination would be nothing more sinister than the expression of a legitimate interest of "shareholders' representatives" in the affairs of publicly owned companies.

Stephen Preston,
2, The Crescent,
Lucan, Co. Dublin.

Such examination would be nothing more sinister than the expression of a legitimate interest of "shareholders' representatives" in the affairs of publicly owned companies.

Vita Carter
From the Director,
Centre for Interfirm Comparison

Sir.—I have read with interest the recent letters in your columns on local authority efficiency—particularly those discussing cost / effectiveness studies and comparisons. May I take up a few points from the correspondence?

Can such studies satisfactorily be carried out? One of your correspondents implies that they cannot because, he says, local authority "output cannot be measured objectively; it will always be a matter of opinion." It is true that "final output" (in the sense of contribution to the quality of life) is difficult to assess; but the same applies to private manufacturing industry and other fields. There are also some limited "immediate outputs" where even "immediate output" (in the sense of the immediate products or services provided) is difficult to quantify. Local authorities, however, and other public agencies do carry out a large number of activities and provide many tangible services, where suitable "immediate" output measures can be arrived at.

As a consequence of the introduction by the leading 6m art auctioneers of a 10 per cent surcharge on buyers has led to its legality being about to be challenged in the courts.

Inflection and capital taxation are increasingly wreaking havoc on attempts to retain our cultural inheritance, despite the constructive achievement of setting up the National Heritage Memorial Fund with all-party support.

As a consequence of the latter, there is a grave threat that the mechanism of export control will either seize up or break down.

This situation is aggravated by the reluctance of the Treasury to make the fact crystal clear that exempted works of art which are sold by private treaty to public institutions in this country remain wholly free of capital taxes.

Insufficient use is being made of the statutory provisions for acceptance of art treasures in

depth consultation and analysis.

Mr. Gantz and ATP International (Oct. 6) cannot be international as the title would suggest, or is Mr. Gantz also seeking to have the following countries discontinue the use of the dollar sign: Antigua, Australia, Barbados, Canada, Cayman, Dominica, Fiji, Grenada, Guyana, Hong Kong, Jamaica, Liberia, Montserrat, Nauru, New Zealand, Solomon Islands, Trinidad, Tuvalu, Vanuatu, Zimbabwe?

Another correspondent says that realistic and scientific exercises in performance measurement must involve in-depth consultation and analysis.

GENERAL

UK: Sir Keith Joseph, Industry Secretary, opens "Miles Ahead" exhibition of British car design.

Mrs. Sally Oppenheim, Minister for Consumer Affairs, launches firework safety campaign.

Mrs. Lynda Chalker, Health and Social Security Parliamentary Secretary, speaks at Sidcup.

Sir Peter Gadsden, Lord Mayor of London, opens International Union of Building Societies and Savings Associations 1980 Congress, Royal Festival Hall, SE1.

Amalgamated Union of Engineering Workers meets Engineers' Federation on wage claim.

National Association of Boys' Clubs Club Week launched, Guildhall.

Society of Industrial Artists and Designers 50th Anniversary Dinner, Mansion House.

Junior Fashion Fair, Horticultural Hall, SW1 (until October 15).

Overseas: Mr. Nicholas Ridley, Foreign Minister, and Mr. George Price, Belizean Prime Minister, in talks with Guatemalan officials.

National Association of Real Estate Executives annual congress opens, Miami (until October 14).

European Parliament session

Today's Events

Clubs Club Week launched, Guildhall.

Society of Industrial Artists and Designers 50th Anniversary Dinner, Mansion House.

Junior Fashion Fair, Horticultural Hall, SW1 (until October 15).

Nobel Prize for Peace announced, Stockholm.

American and Russian negotiators meet for talks on limiting European-based nuclear missiles.

COMPANY MEETINGS

See Financial Diary on page 21

MUSIC IN LONDON

Piano recital by Vivien Banfield, St. Lawrence Jewry-next-Guildhall, Gresham Street, 1.00 pm.

Mr. Naohiro Anaya, International Relations Vice Minister at Japanese Ministry of International Trade and Industry, discusses Japan's trade surplus with Verona Ensemble, St. Bartholomew-the-Great, Clothfair, 7.00 pm.

Long-term financing to meet the needs of industry is the specialty of LTCB.

The jig's up

From Mr. S. Preston

Sir—I have sympathy with Mr. Norman Gantz (October 6).

But there are more than a few Irish people who cannot believe what has hit them since the insane action of the Central Bank in severing the 150-year-old link with sterling.

I asked a distinguished banker in Dublin last week if he saw any merit in it had been done. "None whatever," he said, "and don't you know perfectly well that it was largely political—the severing of another tie with the traditional tyrant."

Well, we are paying dearly for this caper. Probably 80 per cent of imported commodities, particularly foodstuffs, most in day-to-day demand, come from Britain. Our VAT rate is 25 per cent and it is charged on freight and insurance as well (at sterling rates). What a recipe for inflation!

The cost of the week's shopping basket comes to some 50 per cent more in Eire than in the UK in terms of units of currency.

I do not see much merit in Mr. Gantz's suggestion that the £ symbol should be replaced. After all, both Canada and the U.S. use the \$ symbol and their currencies stand in roughly the same relation as pound and punt. The Israelis used the ₪ symbol until very recently for their near-worthless currency.

Not that I would be surprised to see the £ (for punt) symbol going one of these days. Anything that smacks of "sterling" is opprobrious to many in this sainted isle.

Stephen Preston,
2, The Crescent,
Lucan, Co. Dublin.

From the Managing Director,
Vita Carter

Sir—Mr. Gantz and ATP International (Oct. 6) cannot be international as the title would suggest, or is Mr. Gantz also seeking to have the following countries discontinue the use of the dollar sign: Antigua, Australia, Barbados, Canada, Cayman, Dominica, Fiji, Grenada, Guyana, Hong Kong, Jamaica, Liberia, Montserrat, Nauru, New Zealand, Solomon Islands, Trinidad, Tuvalu, Vanuatu, Zimbabwe?

J. F. McHenry,
Vita Carter,
Cork, Ireland.

Corporate financing,
project financing—LTCB is experienced in all forms of wholesale banking.

Business can be
a lot more efficient
with LTCB as a partner.

Companies and Markets

UK COMPANY NEWS

Zetters moves into hotels

FOLLOWING on last November's statement made at the AGM that it intended to diversify into the hotel industry, Zetters Group, the football pools, bingo and cinema operator, has completed the freehold purchase of "The Bishop's Table," a small town centre hotel in Farnham, Surrey.

Mr. P. Zetter, the chairman, says that with the benefit of the catering experience the group already possesses, it is anticipated that this tentative move

into the hotel industry will prove successful.

Both pools and bingo divisions are currently trading well and this together with the group's strong liquidity position gives the Board confidence, he tells members in his annual statement.

As reported September 19, pre-tax profits for the year ended March 31, 1980, improved from £1.38m to £1.54m, on turnover of £11.17m (£9.75m). The divi-

dend is being raised to 2.5p (1.9p) net per 5p share.

At the year end, shareholders' funds were up from £3.68m to £3.89m. Short term deposits rose sharply from £0.35m to £1.13m, while cash totalled £223,564 (£207,566).

Capital expenditure authorised prior to March 31, but not provided for in the accounts, amounted to £911,500 (£83,000).

Meeting, 86-88, Clerkenwell Road, EC, November 5, 11.30 am.

Two machine makers rescued

TWO BRITISH textile machinery manufacturers which ran into difficulties last summer have been saved as a result of offers from other groups.

Cobble Blackburn, which claims to be the biggest tufted carpet machinery manufacturer in the world, has now completed the acquisition of its main UK rival, Pickering Blackburn. Its previous owner, Sears Holdings, announced it would be withdrawing from carpet machinery in August following heavy losses at Pickering.

A potential purchaser has also emerged for Sir James Farmer Norton, textile finishing equipment manufacturer, of Salford, and a deal is expected to be completed shortly by the receiver, Mr. Peter Copp, of accountants Stoy Hayward.

About 300 people lost their jobs with the closure of Pickering which was badly affected by a slump in demand for carpet machinery in a number of important markets including the UK, where the carpet industry

has been under very strong pressure from US imports.

Around 75-80 workers have been re-hired by Cobble which will continue to manufacture all the products in the Pickering range.

Mr. Geoff Livesey, managing director of Cobble, says the merger will help to reduce serious over-capacity in tufted carpet machinery and result in the creation of a single, powerful UK group.

Cobble itself has three main locations in the UK and one in the U.S. and competes in world markets mainly against the US.

Sir James Farmer Norton, which manufactures specialist finishing equipment, ran into serious cash problems this summer as a result of a severe fall-off in orders and difficulties in extricating payment for goods supplied to customers in Turkey.

Some 300 employees have lost their jobs with the company where only a skeleton staff of about 50 has been retained by the receiver.

The following security has been added to the Share Information Service appearing in the Financial Times:

Charterhouse Petroleum (Sectioo: Oil and Gas).

FT Share Information**Leasing offshoot for Astley & Pearce**

Astley and Pearce, the leading firm of money brokers on the London market, have formed a subsidiary to specialize in leasing.

Managing director of Astley and Pearce (Leasing) is to be Mr. John Keevill, formerly manager at Anrit Services, a leasing subsidiary of RIT.

He explained yesterday that the new company would have three roles—lease broking, lease management and industrial building consultancy.

Lease broking, matching cash-rich companies or leasing specialists to others wishing to acquire tax allowable assets in a well-established industry. Astley and Pearce believes that its extensive commercial contacts in the field of general finance broking will give it access to the widest new buyer.

It will also offer lease management, including showing manufacturers how to lease capital equipment to customers reluctant to buy outright; helping new leasing companies start up; offering advice on depreciation.

The lease is expected to be for 21 years with an option enabling the new owners of business to buy back when business picks up. The purchase of the Farmer Norton business is not being discussed.

The deal now being negotiated involves an unnamed British machinery group which has expressed interest in Farmer Norton's product range. At the same time the company's premises in Salford will be purchased by Salford City Council for £300,000 and leased back to the new buyer.

It will also offer lease management, including showing manufacturers how to lease capital equipment to customers reluctant to buy outright; helping new leasing companies start up; offering advice on depreciation.

Mr. Keevill also believes a sizeable market could develop in investment in industrial buildings since the Budget ruling that such investment may be eligible for 100 per cent capital allowances against cost.

The company is taking a long-term view over development, however. Mr. Keevill said that the ordinary lease broking market had been hit by the Chancellor's decision to withdraw the tax concessions on leased equipment from local authorities.

He also recognised that with profit-slumping companies had fewer incentives to seek tax shelter through tax allowable investments.

However, Mr. Keevill pointed out that companies which had already begun to invest in leased assets so as to defer tax would have to maintain their momentum or incur the tax liability. In any case, he thought there was considerable room for advice to companies on how best to structure their leasing arrangements.

tion of leased assets; and providing physical management and collection services.

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BOARD MEETINGS

The following companies have called dates of board meetings to the Stock Exchange. These meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interim: Ash and Lacy, Avans, Bristol Channel Ship Repairs, W. Cummings, Edinburgh Investment Trust, Foster Brothers Clothing, Reed Executive, Royal Portbury Carriers.

Finals: Glaxo, R. Green Properties, W. A. Tyack.

FUTURE DATES

Associated Biscuit Mincra... Oct. 14
Astracane Duties Investment Trst... Oct. 21
Bartons... Oct. 17
Metharcam... Oct. 21
Northern Securities Trust... Nov. 19
Oxley Printing... Nov. 8
USI... Oct. 21
United Engineering Industries... Oct. 16
Finals:
Berry Trust... Nov. 3
Cedric Investment Trust... Nov. 11
Decilele Steel... Oct. 21
Dentex International (UK)... Oct. 16
Gouldhill Property... Oct. 15
London Shop Property Trust... Oct. 15
Lucas Industries... Nov. 10
Percival (C. H.)... Nov. 7
United Wire... Oct. 27
Wombwell Foundry and Eng. Oct. 16

Payable on 15 December to shareholders at the close of business on 17 November.

"The results for the first six months of this year have exceeded our expectations.... Group profit for the second half is unlikely to equal that for the corresponding period of 1979.... Indications lead me to the view that our Group will nevertheless succeed in improving on our 1979 record in a modest way.... because of general economic uncertainties worldwide, 1981 will be a particularly difficult year."

Ray Parsons, Executive Chairman.

A copy of the Interim Report is available from The Secretary, Bowthorpe Holdings Limited, Gathwick Road, Crawley, West Sussex, RH10 2RZ.

**Bowthorpe Holdings Limited****Results for the six months ended 30 June 1980**

PRE-TAX PROFITS £4.97m (1979 £3.54m)

SALES £28.34m (24.5m)

EARNINGS PER SHARE 6.1p (4.4p)

INTERIM DIVIDEND 1.383p (1.28p)

Payable on 15 December to shareholders at the close of business on 17 November.

"The results for the first six months of this year have exceeded our expectations.... Group profit for the second half is unlikely to equal that for the corresponding period of 1979.... Indications lead me to the view that our Group will nevertheless succeed in improving on our 1979 record in a modest way.... because of general economic uncertainties worldwide, 1981 will be a particularly difficult year."

Ray Parsons, Executive Chairman.

A copy of the Interim Report is available from The Secretary, Bowthorpe Holdings Limited, Gathwick Road, Crawley, West Sussex, RH10 2RZ.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

TOWN CENTRE SECURITIES LIMITED

Incorporated in England (No. 623364) under the Companies Act 1948.

Rights Issue of £5,065,504
9 per cent Convertible Unsecured Loan Stock
1996/2000 at £100 per cent

The Council of The Stock Exchange has admitted the above Stock to the Official List. Particulars of the Stock are available in the statistical service of Exel Statistical Services Limited and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 31 October 1980 from

SHEPPARDS and CHASE
Clemente House,
14-18 Gresham Street,
London EC2V 7AU

Weekwood Chambers,
93a Albion Street,
Leeds LS1 5GD

P.O. Box 177
41 Broad Street,
St Helier Jersey

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1980's capitalisation	Company	Last Div.	Change	Gross	Yield
2,653	Alstroemp	46	-2	14.4	4.4
550	Armstrong & Rhodes	22	-1	14.4	4.4
10,448	Bardon Hill	171	-1	8.7	5.7
240	County Cars	10.72p	-	15.3	20.7
4,420	Debwick Ord.	93d	-2	5.5	5.5
4,482	Dentex International	120	-	7.9	6.6
9,535	Franklin Metal	55	-1	11.0	12.8
1,725	Frederick Parker	81	-1	6.1	3.6
2,028	George Blaik	81	-1	7.4	3.1
16,938	Jackson Group	122	+1	7.9	6.5
3,162	James Burrough	310	-	31.3	10.1
3,082	Robert Jenkins	220	-	15.1	6.9
2,351	Twinklock Ord.	11	-	15.0	3.7
2,184	Twinklock 15% ULS	80	-	15.0	18.7
6,714	Twinklock Holdings	44	-1	3.0	6.6
12,633	Walter Alexander	100	-	5.7	5.7
5,607	W. S. Yeates	240	-	12.1	6.0

* Accounts not prepared under provisions of SSAP 16.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-18 years. Interest paid gross, half-yearly. Rates for deposit received not later than 31.10.80.

Terms (years) 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

Interest % 13 13 13 13 13 13 13 13 13 13 13 13 13 13 13 13 13 13

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-828 7522, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for IFCG and FCL.

PALMERS

Palmers Scaffolding has formed a new overseas company, Saudi Scaffolding Services, in order to meet the requirements of the Royal Commission for Jubail's appointment to provide scaffolding and labour for a new \$70bn project.

Swire Pacific Limited**Consolidated results for the six months ended 30 June 1980 and 1980 interim dividends**

Results the consolidated results of Swire Pacific Limited for the six months ended 30 June 1980—unaudited—were

	Six months ended 30 June	Year to 31 December	
	1980 HK\$m	1979 HK\$m	1978 HK\$m
Turnover	2,012.8	1,838.4	3,960.8
Operating profit	219.0	357.8	622.8
Interest charges—net	74.6	40.8	90.4
Net operating profit	144.4	317.0	582.4
Share of profits of associated companies	19.8	21.8	37.3
Profit before taxation	164.2	338.8	618.7
Taxation	33.6	63.5	111.7
Profit after taxation	130.6	275.3	506.0
Minority interests	43.4	97.7	180.1
Profit for the period	87.2	177.6	327.5

Companies and Markets

WORLD STOCK MARKETS

NEW YORK

	1980		1980		1980		1980		1980		1980	
	High	Low	Stock	Oct.	High	Low	Stock	Oct.	High	Low	Stock	Oct.
	10	10	10	10	10	10	10	10	10	10	10	10
1980	46	55	Columbia Gas	401a	84	94	St. At. Pac. Tea	51a	68a	69a	Schlitz Brew. J.	27a
High	27	31	Columbia Pct.	401a	12	13	St. Basins Pet.	51a	153a	154a	Schluemperger	150a
Low	27	31	Combust. Eng.	401a	100	101	MOM	51a	171a	172a	SOM	27a
Stock	401a	475a	Combs. Equip.	401a	101	101	Metronadis	51a	171a	172a	Souder-Dow V.	151a
Oct.	10	10	Cont. Ind.	401a	124	125	Milton Bradley	51a	171a	172a	Spacelab	151a
10	10	10	Continental	401a	125	126	Minnesota MM	51a	171a	172a	Star Cent.	151a
9	9	9	Continental	401a	125	126	Mobile Pub.	51a	171a	172a	Seaboard Coast L.	151a
8	8	8	Continental	401a	125	126	Mobilian Corp.	51a	171a	172a	Seagran	151a
7	7	7	Continental	401a	125	126	Moderne Marche	51a	171a	172a	Seal Corp.	151a
6	6	6	Continental	401a	125	126	Mohasco	51a	171a	172a	Searie (S.D.)	151a
5	5	5	Continental	401a	125	126	Monarch M/T	51a	171a	172a	Sears Roebuck	151a
4	4	4	Continental	401a	125	126	Monarchs	51a	171a	172a	Seasame Lns.	151a
3	3	3	Continental	401a	125	126	Morgan	51a	171a	172a	Security Fac.	151a
2	2	2	Continental	401a	125	126	Morgan (JP)	51a	171a	172a	Sees	151a
1	1	1	Continental	401a	125	126	Motorola	51a	171a	172a	Self Oil	151a
0	0	0	Continental	401a	125	126	Muniserv	51a	171a	172a	Sheaf Trans.	151a
27	27	27	Continental	401a	125	126	National G.C.	51a	171a	172a	Shawer-Wma.	151a
26	26	26	Continental	401a	125	126	Murphy Oil	51a	171a	172a	Signal	151a
25	25	25	Continental	401a	125	126	Nabisco	51a	171a	172a	Signde	151a
24	24	24	Continental	401a	125	126	Nalco Chem.	51a	171a	172a	Simeon	151a
23	23	23	Continental	401a	125	126	Nalco Chem.	51a	171a	172a	Simplicity Part.	151a
22	22	22	Continental	401a	125	126	Napco Industries	51a	171a	172a	Sieger	151a
21	21	21	Continental	401a	125	126	Nat. Cas.	51a	171a	172a	Skyler	151a
20	20	20	Continental	401a	125	126	Nat. Dist. Obsrv.	51a	171a	172a	Smith	151a
19	19	19	Continental	401a	125	126	Nat. Medical Sci.	51a	171a	172a	Souesta Ind.	151a
18	18	18	Continental	401a	125	126	Nat. Semicond.	51a	171a	172a	Southern Bank	151a
17	17	17	Continental	401a	125	126	Nat. Servicess	51a	171a	172a	Southw. Banking	151a
16	16	16	Continental	401a	125	126	Nat. Steel	51a	171a	172a	Southw. Fin.	151a
15	15	15	Continental	401a	125	126	Nat. Steels	51a	171a	172a	Southw. Ind.	151a
14	14	14	Continental	401a	125	126	Nat. Steels	51a	171a	172a	Southw. Min.	151a
13	13	13	Continental	401a	125	126	NCH	51a	171a	172a	Southw. Steel	151a
12	12	12	Continental	401a	125	126	New Eng. Elet.	51a	171a	172a	Southw. Steel	151a
11	11	11	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
10	10	10	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
9	9	9	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
8	8	8	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
7	7	7	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
6	6	6	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
5	5	5	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
4	4	4	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
3	3	3	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
2	2	2	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
1	1	1	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
0	0	0	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
27	27	27	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
26	26	26	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
25	25	25	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
24	24	24	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
23	23	23	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
22	22	22	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
21	21	21	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
20	20	20	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
19	19	19	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
18	18	18	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
17	17	17	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
16	16	16	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
15	15	15	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
14	14	14	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
13	13	13	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
12	12	12	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
11	11	11	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
10	10	10	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
9	9	9	Continental	401a	125	126	New Eng. Tel.	51a	171a	172a	Southw. Tele.	151a
8	8											

UK NEWS

APPOINTMENTS

French and Italian Press receive BL's Metro favourably

By JOHN GRIFFITHS

THE TWO European markets offering the greatest potential for sales of BL's long-awaited Metro model have given the car generally favourable treatment in their national and motoring Press.

The Metro is launched in the UK tomorrow after receiving enthusiastic motor Press reviews and with orders from UK customers already worth more than £50m. But whether the car is finally judged to be a success depends on how well it fares in Europe when it goes on sale there in April.

Mr. Tony Ball, BL's marketing director, expects the UK to absorb up to 2,000 cars a week. But production is due to have risen in 6,500 a week by the second quarter of next year, so success in Europe is vital.

The car has had a favourable reception in France, regarded as the most promising market, though its absence at the Paris motor show was criticised by most French motoring correspondents.

Few newspapers have published road tests. But those who have consider that the Metro, in spite of coming many years too late, is a worthy descendant of the original Mini which proved particularly popular in France.

What struck most of the experts is not so much the Metro's fuel economy, which is marginally better only than that of the Renault 5, as its

exceptional spaciousness and excellent suspension.

"Technically, this model should reconcile users with the British industry. It is evident that the Metro is like the 'ideal small car' which many European car-makers would have liked to have designed," Le Marin, the Paris morning paper, said.

Another prominent Paris newspaper, Le Figaro, also praised the British Leyland design for their ingenuity in producing such a roomy small car. But it regretted that it was available only in a three-door version.

Quattroroute, the most authoritative Italian magazine in the motoring sector, said: "It is a super-Mini? Super is a bit much: we might say that the Metro is a rather larger Mini, rather more comfortable and in fact more conventional."

Motor, another leading magazine, says: "Room inside is quite ample. Tested extensively on the narrow and hilly roads of the English countryside, the car showed great stability and good road-holding on bends." The general impression given by the magazine is that the car is well produced but basically a more modern version of the 20-year-old Mini.

The West German market, which BL traditionally has found difficult to penetrate, has yet to provide detailed assessments of the car.

New look for Sunbeams

TALBOT SUNBEAMS take on a new look today for 1981. All versions except the Sunbeam Lotus receive specification and visual changes and make their UK debut at the Motor Show, in the National Exhibition Centre, Birmingham, on Wednesday.

Different radiator grille, headlamps and front indicator units plus new body colours with a black finish to the sills, are the most noticeable external changes.

On the road, Talbot says, drivers will notice the lower interior noise level due to improved sound insulation. The new models also have improved suspension and greater fuel range with a new 45 litre (10 gallon) petrol tank.

The 1.0 LS and GL engine

Ebro managing director

Mr. Geoffrey Buckley has been appointed group managing director of EDBRO (HOLDINGS). He was previously a director of Stone-Platt Industries and before that a director of Ford Motor Company, where he was in charge of the tractor division.

Mr. Alan Preston is to be appointed by the MINISTRY OF AGRICULTURE as its director of fisheries research from November 1. He will succeed Mr. Arthur J. Lee, who is retiring.

COBBLE BLACKBURN has acquired the PICKERING BLACKBURN GROUP. Two new divisions of Cobble are being formed and they will trade as Pickering and PEP. Mr. G. Livesey, who is managing director of Cobble Blackburn, will also become managing director of the subsidiaries. Other senior executives are Mr. E. Priestly, operations; Mr. G. M. T. Allen, marketing; Mr. G. R. Howarth, personnel; Mr. H. B. Bardeley, engineering; and Mr. N. Speirs, financial controller.

Mr. Charles E. Virchau is to resign for health reasons as chairman of GIRARD-PERREAUX SA, of Switzerland, but will remain on the board. He will be succeeded by Dr. Clo Duri Bezerra.

Mr. Philip E. McCarthy and Mr. John J. Moran have been elected vice-presidents of INCO LIMITED.

MACDONALD PHOEBUS has been formed to take over the trading of Macdonald Educational and Phoebus Publishing Company following the merger. The board of the new company is Mr. Peter Morrison, chairman and chief executive; Mr. Mike Emery, production (adult); Mr. Philip Hughes, production (children); Marlene Johnson, finance; Mr. Stephen Lane, commercial; Mr. Stephen Pawley, foreign rights and special editions; Mr. Ken Pickett, sales; and Mr. Nicholas Wright, editorial.

Mr. John Reid has been appointed to the board of FISONS pharmaceutical division as director for European operations. He was previously with the Boots Company where he was area director for Europe.

Mr. Michael C. Liss has been taken into partnership by PHILIPP AND LION, ring dealing members of the London Metal Exchange.

Mr. William J. O'Donnell and Mr. Michael J. Harbor have been appointed to the Board of LONDON AND LIVERPOOL TRUST following the acquisition by that company of Hartley Pre-

Mr. Maurice R. Ashford has been appointed a director and general manager of INNSWORTH METALS, a Dowty Group company.

Mr. J. F. Nash has been appointed chairman of WOLVERHAMPTON STEAM LAUNDRY FOLLOWING the death of Mr. T. Hampton Silk.

Mr. Peter Fielder and Dr. John Head have been appointed to the Board of EWANK AND PARTNERS. Mr. Fielder has been the company's chief electrical engineer since 1976. Dr. Head joins Ewbank from Crest Engineering where he was chairman and managing director of Crest Offshore and technical director of Crest Engineering (UK) Inc. Mr. Charles Hodgson has retired from the Ewbank Board.

Mr. J. H. Purdie has been appointed financial director of KEY TERRAIN, a subsidiary of Reed International.

Mr. B. F. Ridal has been appointed engineering director of SIM-CHEM. He was previously a senior project manager of that company and succeeds Mr. W. M. Sherrington, who has been

Mr. Timothy Yes has been appointed director of the SPASTICS SOCIETY from October 20. He was previously director of Locana Corporation, Worcester Engineering, and Brookes Hotels.

Mr. George Fowkes, a director of IPC BUSINESS PRESS and chairman of the company's transport, electrical-electronic and industrial publishing groups, has

seconded to the Department of Industry, north-west region.

Mr. Stephen J. Keynes and Mr. Michael D. Harrison have been elected directors of the English Association of American Bond and Share Holders, which is to change its name to the ENGLISH ASSOCIATION GROUP from October 31.

Mr. Keynes is a director of Sun Life Assurance Society and Prudential Consolidated Oil-fields. Following his appointment to the English Association, he has resigned his directorships of British American Gold and its associated companies, but for the time being will remain as a consultant to that company.

Mr. Harrison, a chartered accountant, was appointed secretary and financial controller of the English Association in April last year.

Mr. P. J. Speerer has been appointed secretary of STAN-DARD CHARTERED BANK in succession to Mr. L. R. Bishop, who has retired from the bank.

The Secretary for Trade has appointed Mr. Neil Salmon as a new part-time member of the MONOPOLIES AND MERGERS COMMISSION for three years. Mr. Salmon is deputy chairman of J. Lyons and Co. and a director of Allied Breweries.

Mr. W. A. Rogers has been appointed a director of ASSOCIATED NEWSPAPERS GROUP.

DEUTZ ENGINES, London, has appointed Mr. Chris van der Oester as general manager in charge of the air-cooled engine division. He succeeds Mr. J. Marterbauer, who is now based in Vienna as head of the Deutz distributor for Austria.

Mr. J. Rothblum has been appointed president of the FEDERATION OF OILS SEEDS AND FATS ASSOCIATIONS. Mr. D. A. Shave has become vice-president and Mr. B. A. Chapman, honorary treasurer.

Mr. Reg Smith has joined the board of DORADA ENGINEERING with responsibility for sales and marketing. Mr. Peter Price has been appointed managing director of NEUBURGER PRODUCTS, succeeding Mr. Arthur Chambers, who has left the company. Mr. Peter Haslam has become a director and general manager of NORTH ROAD FOUNDRY and Mr. Duncan Price has been made a director of that company. The parent concern is Dorla Holdings.

Major-General D. N. H. Tyacke has been appointed director of the BRITISH DIGESTIVE FOUNDATION.

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Mr. George Fowkes, a director of IPC BUSINESS PRESS and chairman of the company's transport, electrical-electronic and industrial publishing groups, has



Mr. Geoffrey Buckley

Le présent avis est publié à titre d'information seulement

REPUBLIQUE DU NIGER

Crédit Moyen Tamo

US \$7,500,000

Chef de file

BANQUE INTERNATIONALE POUR
L'AFRIQUE OCCIDENTALE
(B.I.A.O.)

Consent par

BANQUE INTERNATIONALE POUR
L'AFRIQUE OCCIDENTALE

BANQUE NATIONALE DE PARIS

BANQUE DE L'UNION EUROPEENNE

CREDIT COMMERCIAL DE FRANCE

CREDIT LYONNAIS

Mandataires:
B.I.A.O.

September 1980

been appointed to the Board of IPC Business Press in North America. He is also a director of IPC Exhibitions.

Mr. G. H. Nutall has been appointed deputy managing director of B. S. AND W. WHITELEY with special responsibilities for the company's production and engineering activities. He joined the company in April as production director.

Mr. W. G. Stephens has retired as managing director of STEPHENS MIRACLO EXTRE MULTUS but continues as chairman. Mr. A. I. Stephens and Mr. L. Brown have become joint managing directors.

REPÚBLICA FEDERATIVA DO BRASIL

GOVERNO FEDERAL-MINISTÉRIO DOS TRANSPORTES

REDE FERROVIÁRIA FEDERAL S.A.-ENGEFER

ENTRÉA DE ENGENHARIA FERROVIÁRIA S.A.-ENGEFER

**International bidding for the execution
of Civil Works associated with the
infrastructure of the Guarapuava-Cascavel
Railway Link, in the State of Paraná.**

NOTICE NO. 001/80

1. EMPRESA DE ENGENHARIA FERROVIÁRIA S.A.-ENGEFER, a Federal Government Participation Enterprise, with headquarters at Estrada Velha da Tijuca, no. 77, Rio de Janeiro, State of Rio de Janeiro, BRAZIL, advertises to whomsoever it may concern that it will hold an International Bidding under Brazilian Law for the execution of Civil Works for the GUARAPUAVA-CASCABEL Railway Link, for which it is considering bids from Local and Foreign Contractors.

2. The Bidding shall be conducted in two stages and the documents for pre-qualification (1st Stage) shall be submitted during the public meeting to be held by ENGEFER at 3pm on the 18th (eighteenth) of December, 1980, at the Headquarters Conference Room.

3. The Pricing of Bids is due to be called for in the year of 1981, and the precise date will be set after the 1st Stage has been completed.

4. Prospective bidders can obtain the pre-qualification requisites and other information from the Diretoria de Planejamento e Coordenação (Planning and Coordination Sector), at ENGEFER's Headquarters, Estrada Velha da Tijuca, no. 77, Rio de Janeiro, BRAZIL.

ELIANO MOREIRA DE SOUZA
Chairman
Rio de Janeiro, Brazil.

U.S. \$25,000,000

BANCA SERFIN, S.A.

(A private banking institution incorporated in the United Mexican States with limited liability)



Floating Rate Capital Notes Due 1986

Credit Suisse First Boston Limited

Bank of America International Limited

Bank Brussel Lambert N.V.

Banque Nationale de Paris

Citicorp International Group

Dresdner Bank Aktiengesellschaft

European Banking Company Limited

Lloyds Bank International Limited

Sumitomo Finance International

Yamaichi International (Europe) Limited

A. E. Ames & Co. Limited	Arab Bank Investment Company Limited	Amoldi and S. Bleichroeder, Inc.	Banco de Biblio S.A.	Banco di Roma
Banco Uruguaiano Americano	Bank Julius Baer International	Bank für Gemeinschaftsbank	Bank Mees & Hoep NV	Bank of Tokyo International
Bankers Trust International	Banque Française du Commerce Extérieur	Banque Générale du Luxembourg S.A.	Banque de l'Industrie et de Spec	
Banque de Paris et des Pays-Bas	Banque de Paris et des Pays-Bas (Suisse) S.A.	Banque Privée de Gestion Financière	Banque Worms	
Baring Brothers & Co., London	Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft	Bergen Bank	Boyle Eastern Palma Weber International	
Cazenove & Co., London	Christie Montague	Clarida Bank	Copenhagen Handelsbank	Credit Agricole
Credit Industriel et Commercial	Credit Lyonnais	Credit du Nord	Credit Suisse First Boston (Asia) Limited	Creditanstalt-Bankverein
Crediti Italiano	Dai-Ichi Kangyo Bank Nederland N.V.	Daiwa Europe N.V.	The Development Bank of Singapore Limited	DG Bank
Dresdner Bank Lambert International	Effectenbank-Warburg	Euro-Latinamerican Bank Limited	First Chicago	Dresdner Gemeinschaftsbank
Gesellschaftliche Zentralbank, AG Vienna	Hessische Landesbank	International Mexican Bank	Fujii International Finance Limited	Kensallis International Bank S.A.
Kidder, Peabody International Limited	Kuwait International Investment Co. s.a.k.	Kuwait Investment Company (S.A.K.)	Lazard Frères et Cie	
LTGB International Limited	Manufacturers Hanover	McLeod Young, Werf International	Mitsubishi Bank (Europe) S.A.	
Mitsui Finance Europe	Samuel Montagu & Co.	National Bank of Abu Dhabi	Nederlandse Creditbank N.V.	Nestlé, Thoson Limited
New Japan Securities Europe Limited	The Nikko Securities Co., (Europe) Ltd.	Nippon European Bank S.A.	Nicoma Europe N.V.	
Sal. Oppenheim jr. & Cie.	Postbank	The Royal Bank of Canada (London)	Salmos Brothers International	
Santander (Underwriters) Limited	Scandinavian Bank	Schröder, Minchner, Hengst & Co.	Saxaardtska Enskilda Banken	
Sociedad Bancaria Barclays (Suisse) S.A.	Société Générale	Société Générale de Banque S.A.	Sparcksons SDS	Straus, Turnbull & Co.
Svenska Handelsbanken	Swiss Bank Corporation International	The Taiyo Koto Bank (Luxembourg) S.A.	Strass, Turnbull & Co.	Vickers da Costa International Ltd.
Tokai Kyosa Morgan Grenfell Limited	Trade Development Bank, London Branch	Vereins- und Westbank Aktiengesellschaft	Wood Gundy Limited	
J. Vembiel & Co.	M. M. Warburg-Bleichroeder, Wirtz & Co.	S. G. Warburg & Co. Ltd.	Williams, Glynn & Co.	

London Bridge
to Mexico.

Welcome to the newest home of the

oldest bank in Mexico, Banca Serfin.

Founded in 1864, we were known
the world over as Banco de Londres y
Mexico until 1977 when one of the country's largest private industrial development banks—Financiera Aceptaciones,
S.A.—and our bank merged.

We have been one of Mexico's
most influential banking institutions for
over a century. We now rank as one of
the top three banks in the country—
with a network of 323 branches, plus
agencies in New York and Los Angeles.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

METALWORKING

Speeds the pressing

CONSIDERABLE increases in productivity could be achieved if it is claimed, by using a strip feed attachment devised by E. W. Blisa (England) of City Road, Derby DE1 3RP (0322 45801).

The attachment has been designed for use when blanking and forming components from tinplate, aluminium and other sheet materials. Operating speeds between 50 and 250 components per minute, depending on size and type, are claimed to be possible.

Bliss says the attachment can be used with almost any type of open-backed inclinable (OBI) type press and that it can feed pre-cut lengths of plain or lithographed strip to single or multiple dies.

The attachment has a magazine holding a stack of material up to 460 mm high, a feed table with a mechanism to accurately position the strip and powered scrap rolls located on the opposite side of the die area to eject the "skeleton" after the final cut.

Changes in the size of strip and in the number of cuts to be made in it are said to call for simple adjustments to side guides, two small gears, feed bars and feed rolls...

COMMUNICATIONS

ICL uses packets

INTERNATIONAL Computers has announced that it is the first organization to be connected to the UK packet switching network, at present still in the "pre-operational phase."

Packet switching is a method of transmission of data over telephone lines in which dedicated copper connections are not made between sender and receiver; instead, "packets" of the data are sent in small timed sections and are slotted into a continuous train of such packets that are being sent over the network. In this time sequence, packets are "tagged" on sending, the tag being recog-

nised only by the addressee's equipment which "captures" it from the train. Better use is made of the cables (all of which are fully occupied) and data can be sent when desired, at high speed and relatively cheaply.

The way the "train" is arranged will be known as "X25 protocol" in the UK and this was used in ICL's hook-up in which the company's model 7500 terminals were used between Putney and Letebworth. British Telecom has opened its packet switching service (PSS) in the preliminary phase between London, Reading and Bristol.

ELECTRONICS

Power from sewage

WESSEX WATER Authority is to make use of the "distributed" concept in process control to manage plant functions and the generation of electrical power from precessed sewage gas at the Avonmouth Recovery Works.

Such systems are based on the idea that microprocessor-based outstations can be used to collect and process much of the data from the plant, sending back to a central point only that needed to provide suitable monitoring and control data.

This particular system is being supplied by Base Ten

Systems of Farnborough (Hants) (0232 517685) with the company's GMAC units linked to a PDP-II minicomputer at the centre.

Each outstation can deal with 255 channels of data, digital or analogue representing such items as engine speed, temperature, pressure and the status of valves, solenoids and on/off switches.

At the control room the mini-computer is linked to a colour graphics display unit which gives up-to-the-minute pictures of performance as well as trend information in the form of histograms.

THE IDEA that the minicomputer is somehow being ousted by the micro — assuming that it is possible to define either with any great accuracy — is not really upheld by an extensive analysis just conducted by MSRA Inc. in the U.S. and now published in the UK by Keith Wharton Consultants, 27, George Street, Richmond, Surrey TW9 1HY (01-940 7366).

Main message of this 130-page 1980 report is that the newer generation of faster, 32-bit machines (most have been 16-bit in the past) is now making a real impact and is likely to have captured 22 per cent of the market by 1985. World market figure at the moment is \$7.6Bn, but this is expected to grow at an annual compound rate of 27 per cent over the next five years to a massive \$25Bn.

A highlight of the report is

an examination of Digital Equipment's VAX 11/780, a 32-bit machine. There is a survey of users of this and other such machines now on the market.

In addition, the report looks at significant industry trends such as pricing, software, service, the mainframe/microprocessor threat and the emergence of new channels of distribution for small computers. There are market forecasts to 1985 for various user segments, applica-

tions categories, size class of machine, and international and domestic markets.

Comments are offered in the report on Computer Automation's recovery efforts (it lost \$3m in 1979, states MSRA), the "phenomenal" growth of Data-point — it has grown 700 per cent in revenues in the past five years — and Digital's chances of remaining the dominant company in the minicomputer industry.

The company prominent on the IBC scene, Lofit (UK), say they have a cheerful cheap product which matches in price (or even undercut) cheap and nasty foreign imports, but are virtually idiot-proof.

Called the "E" (standing for economy) range, these are made from ultra-violet stabilised polypropylene fabric, have a stiffened broad fabric roof with a special tie which allows easier handling on a single tire or book on a fork-truck, and when stacked fall into an easy rectangular shape.

Fully protected from damp or contamination because of their heavy-duty, sealable polythene liners to containers cost £344 each.

More from the company at Halfpenny Lane, Knaresborough, North Yorkshire, (0438 86491),

They travel well

SAY TO be ideal for food sales in supermarkets and other non-specialist outlets is a new plant pack which incorporates a clear plastic film with a breathable microporous film panel, announces Van Lee (UK), Van Lee House, West Byfleet, Surrey (04160).

The system has been developed through Anglo-Dutch co-operation and is now in use with a major Dutch meat wholesaler/exporter. It will eliminate the need for continual expert attention to travelling plants, and dispenses with special store environment, yet does not detract from product presentation.



DATA PROCESSING

Minicomputer market is still buoyant

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HANDLING

Designed for one-way trips

A FLOOD of cheap intermediate bulk containers (IBCs) has pervaded these shores from the Continent, with the result that the low-cost containers, ideal for one-off journeys, have been known to split in transit or cause problems during storage.

The company prominent on the IBC scene, Lofit (UK), say they have a cheerful cheap product which matches in price (or even undercut) cheap and nasty foreign imports, but are virtually idiot-proof.

Called the "E" (standing for economy) range, these are made from ultra-violet stabilised polypropylene fabric, have a stiffened broad fabric roof with a special tie which allows easier handling on a single tire or book on a fork-truck, and when stacked fall into an easy rectangular shape.

Fully protected from damp or contamination because of their heavy-duty, sealable polythene liners to containers cost £344 each.

More from the company at Halfpenny Lane, Knaresborough, North Yorkshire, (0438 86491),

CONTRACTS AND TENDERS

THE SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

TENDERS BOARD FOR THE CONSTRUCTION OF THE NEW FACULTY OF PHARMACY

THE TENDERS COMMITTEE OF THE EL FATEH UNIVERSITY

invites top-rank world based local and international companies registered in the Secretariate of Housing in the Jamahiriya for an International Tender for the Construction of the New Faculty of Pharmacy in the University Campus — Tripoli.

The project generally comprises:

1. An approximate gross area of 40,000 (forty thousand) m².
2. Study and research laboratories, classrooms, offices, auditoria

These buildings will be constructed on four levels.

The Tenderers may procure the Technical Specifications and drawings from the Secretariate of Buildings & Tenders Committee against a non-refundable sum of 250 (two hundred and fifty) £ to be paid to the Treasury of the University against an official receipt during official work time, from the date of the publication of this notice till the end of the day of October 30th, 1980.

The tenders should reach the Secretariate no later than November 30th, 1980.

The tenders shall be joined with:

1. An initial bond of 10,000 (ten thousand) Libyan Dinars by a certified cheque from a local bank or
2. An unconditional letter of guarantee from a local bank valid for nine months.

The applicants are requested to furnish as many details as possible and catalogues on past end current projects proving that the company has the technical means for successful completion in the field of construction and building, and the value of the executed projects.

Tenders should be submitted to the Secretariate of Buildings and Tenders Committee of the Administration of the University by the fixed date.

THE SECRETARIATE OF BUILDINGS & TENDERS COMMITTEE, EL FATEH UNIVERSITY, TRIPOLI P.O. BOX 13 103

KINGDOM OF MOROCCO

OFFICE NATIONAL DE L'EAU POTABLE

CALL FOR TENDER No. 42/DE/80

DESALINATION PLANT CONSTRUCTION—PIPE LAYING—PUMPING STATION EQUIPMENT

The Office National de l'Eau Potable (ONEP) have issued an international call for tenders for the study, construction and complete financing (100%) in Tanger and its beach off:

—A sea water desalination plant capable of producing 1,500 cubic metres per day of drinking water.

—Supply and installation of a 16 litre per second pumping station.

—Supply and laying out of 26.2 kms. of pipes.

—Staff training.

Correspondence should be in FRENCH.

Documents may be obtained from the issuing authority at a cost of DH 500.

Closing Date: 26.11.80.

Further Details (only) in FRENCH are available at the Moroccan Embassy (584 88 27).

Respond to: Office National de l'Eau Potable, Division Equipment, 6 Bis, Rue Patrice Lumumba, RABAT.

COMPANY NOTICES

NOTICE TO HOLDERS OF ELECTRICITE DE FRANCE U.S. 100,000,000 11 1/4% GUARANTEED BONDS DUE 1990

Holders of the above Bonds are advised that French American Banking Corporation, 120 Broadway, New York, N.Y. 10005

has been appointed as subsidiary paying agent IN LIEU OF

Banque Nationale de Paris (New York Branch), 40 Wall Street, New York, N.Y. 10005

By Order of the

BANQUE NATIONALE DE PARIS, 16 boulevard des Invalides, 75008 Paris, France

RE: FIDUCIAL AGENTS

NOTICE OF PURCHASE, US\$100,000,000 INVESTMENT COMPANY, 8 1/4% GUARANTEED BONDS 1990, GUARANTEED ON A SUBORDINATED BASIS BY BARCLAYS BANK INTERNATIONAL LIMITED

NOTICE IS HEREBY GIVEN, that the holder of US\$100,000,000 nominal value of Bonds of the above Company, due 1990, during the period ending 15th September, 1982, UNION BANK OF SWITZERLAND, BERN, SWITZERLAND, LIMITED, London, 18th October, 1980.

International Tenders and Contracts Bulletin

NOW AVAILABLE

Published every week and averaging 500 tender notices from 26 countries

Essential data for home and export business

For further information contact:

Tenders and Contracts Journal Ltd., 18 CHURCH STREET, SAFFRON WALDEN ESSEX CB10 1JW Telephone (0799) 21546 and 21771

PERSONAL

USE "ALTERNATIVES" INSTEAD OF ANIMALS

Send for details from FRAME (Fund for the Replacement of Animals in Medical Experiments) about the advantages to be gained in cost and efficiency from the use of non-animal methods of research.

FRAME

312a Worlton Road

London SW20 8QU

That will do nicely, Sir!

01-427 4447

A Prima fitted kitchen?

That will do nicely, Sir!

01-427 4447

REPUBLIC OF COSTA RICA

Floating Rate Note Issue of

US\$ 20 million—April 1978/85

The rate of interest applicable

for the six months period beginning on October 10th 1980 and set by the reference agent is 14% annually.

Notice of Purchase, US\$100,000,000 Investment Company, 8 1/4% Guaranteed Bonds 1990, guaranteed on a Subordinated Basis by Barclays Bank International Limited

NOTICE IS HEREBY GIVEN, that the holder of

US\$100,000,000 nominal value of Bonds of the above Company, due 1990, during the period ending 15th September,

1982, UNION BANK OF SWITZERLAND, BERN, SWITZERLAND, LIMITED, London, 18th October, 1980.

Atlas Copco Compressed Air Technology

Another development, Lightlink, is a device for transmitting information using infra-red light. It developed out of necessity.

Lightlink has some

separate sites in its home town of San Antonio in Texas and it found it convenient to link them using receiver/transmitters on the roof of the individual buildings.

The first Light

Financial Times Conferences

EMPLOYMENT IN THE 80s

Grosvenor House, London — 20 and 21 November 1980
Mr. John Bell Stuart, Deputy Chairman, ICI Fibres Limited, and Mr. Anand Panayachan, Chairman, Texport International Corporation Limited, Bangkok, will be taking part in this conference which will consider the impact of developing countries on employment in the industrialised world, particularly in the textile industry.

ARGENTINA: DEVELOPMENT IN THE NEXT DECADE

Buenos Aires, 2, 3 and 4 December 1980
This major three day conference will examine the Argentine Government's policies for economic growth, the stimulation of investment and the environment and opportunities for international business co-operation.
The keynote address will be given by the Minister of the Economy, His Excellency Dr. José Alfredo Martínez de Hoz. Other speakers will include H. E. Eng. Federico Dumas, Under Secretary of State for Foreign Investments, Lic. Alejandro Reynal, Vice-President, Banco Central de la República Argentina and H. E. Lic. Alejandro Estrada, Secretary of State of Commerce and International Economic Negotiations, Ministry of Economy.
The conference is supported by the Banco de la Nación, Argentina and the Stock Exchange in Buenos Aires.
Official carrier—Aerolineas Argentinas.

All enquiries should be addressed to:
Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS
ACI Research Ltd, London, International Press Centre, 18, Shoe Lane, EC2, 12.00
Aldershot & Farnham Co-operative Society, Chichester Drive, Chichester, West Sussex, 12.00
Dun & Bradstreet Int. Rows Station Hotel, York, 12.00
1980 Texaco Estates, 10, Mary Axe, EC3, 11.00
Murray Caledonian Inv. Trust, 1/25 West Cheyne Walk, London, SW3, 12.00
Reckitt, Savory, Notcutt, Strand, WC2, 12.00
Solvay, 10, Grosvenor Gardens, London, 12.00
Société Générale, 10, Grosvenor Gardens, London, 12.00

BOARD MEETINGS
Globe (H.1) Proprietary
Intertek, 10, Argyll Street, Edinburgh, 12.00
Ash & Lee, 10, Argyll Street, Edinburgh, 12.00
Austen Clark Ship Repairs, Canongate, W.J., Edinburgh, 12.00
Edgar Bros, Clothes
Rec'd Executive Chairman
Reed Construction Cement

DIVIDEND & INTEREST PAYMENTS
AEG, 5.024% Dividends
Alliance Tel. 3.25%
Beecham, 4.75%
Bull & Winton, 4.75%
Austin (James) Steel Corp. A 6.5p
Ashley (International) Corp. 2.5p
Bovis, 2.5p
Dixons (Carlo), 7.75%
Dow, 5.5%
Manchester Ship Canal 7.5p
Dow, 5.5%
McSwifit, 6.5%
Second Alliance Tel. 3.25p
Dow Aircraft 1.75%
Vibracast 9.25%

COMPANY MEETINGS
Shaw and Martin, Allen House, 20, Newark, United Kingdom, 12.00
British Securities, 10, Newgate Street, EC2, 12.00

BOARD MEETINGS

Lever Brothers
Intertek
Ashley (International) Corp. 2.5p
Bovis, 5.5%
Bull & Winton, 4.75%
Austin (James) Steel Corp. A 6.5p
Ashley (International) Corp. 2.5p
Bovis, 5.5%
Manchester Ship Canal 7.5p
Dow, 5.5%
McSwifit, 6.5%
Second Alliance Tel. 3.25p
Dow Aircraft 1.75%
Vibracast 9.25%

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Shaw and Martin, Allen House, 20, Newark, United Kingdom, 12.00

BOARD MEETINGS

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Bovis, 5.5%
Manchester Ship Canal 7.5p
Dow, 5.5%
McSwifit, 6.5%
Second Alliance Tel. 3.25p
Dow Aircraft 1.75%
Vibracast 9.25%

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High costs push Eastern Airlines deeper into red

BY DAVID LASCELLES IN NEW YORK

EASTERN AIRLINES, the first of the major U.S. carriers to report quarterly earnings, in the current round, remained in the red in the three months ended September 30.

A net loss of \$22.3m, equivalent to 95 cents a share, compared with a small profit of \$3m, or 7 cents, in the same period of 1979. Eastern blamed this on the fact that costs rose considerably faster than revenues. According to the earnings statement, operating

revenues in the three months were up 17.3 per cent to \$856.6m, but expenses rose 22 per cent, to \$866m. This resulted from the rising cost of fuel and the general weakness of the air travel business.

With losses having been suffered in previous quarters this year, Eastern's nine-month loss stands at \$34.7m, equal to \$1.57 per share, compared with net income of \$42.4m, or \$1.54 a share, in the comparable period last year. Nine months'

operating revenues were \$2.56bn, up from \$2.12bn last year. Operating expenses were \$2.57bn, up from \$2.03bn.

Eastern put out its results early because it had to file a registration statement in connection with a proposed offering of 2m new units of Preferred stock. The offering is expected to raise about \$50m, which, Eastern says, will be used to provide general corporate funds and augment stockholders' equity.

Fibreboard rationalisation in Australia

By James Forth in Sydney

JAMES HARDIE Industries and Australian Paper Manufacturers have combined to bring about a further rationalisation of the Australian paper packaging industry. James Hardie will purchase most of APM's fibreboard container operations. It will form a new company, James Hardie Containers, in which APM will have a 40 per cent interest.

The new company will acquire the New South Wales and Queensland fibreboard container operations of Reed Paper and Packaging, the NSW, Queensland, Victorian and Western Australian fibreboard container operations of United Packages and the Victorian and South Australian operations of Tasman UEB Industries.

James Hardie is also involved currently in the takeover of another packaging group, J. Fielding Holdings.

Dutch construction group absorbs U.S. venture

BY CHARLES BATCHELOR IN AMSTERDAM

VERENIGDE BREDERO Bedrijven, the Dutch construction group, will raise its holding in Bredero Price, the U.S. pipeline coating company, to 100 per cent, from 50 per cent next year.

The company's headquarters will be moved from Bartlesville, Oklahoma, to Houston, Texas, though no management changes are planned. No financial details are given.

The two companies began cooperation in oil and gas pipeline coatings in the early 1960s, and this led to Bredero acquiring a half share in the U.S. group last year. The decision has now been taken to complete the takeover, which has cost KBB just over Fl 30m (\$15m).

KBB announced last May that it had bought 51 per cent of the U.S. group for \$14.25 a share and said it hoped to acquire the rest of Mack's 1.06m shares over the next few months.

South America, the Middle and Far East and Western Europe.

Bredero Price recently announced the acquisition of 50 per cent in Gaid-Lange company of Houston. This company has annual turnover of \$20m and specialises in the coating of small-diameter pipes. It also has factories in El Reno, Oklahoma, and Fort Collins, Colorado.

• Blijenkorf Beheer (KBB), the Dutch department stores group,

has raised its holding in Mack's Stores of Sanford, North Carolina, to 100 from 51 per cent.

Mack's remaining U.S.

shareholders agreed earlier this week to the full takeover, which has cost KBB just over Fl 30m (\$15m).

KBB announced last May that it had bought 51 per cent of the U.S. group for \$14.25 a share and said it hoped to acquire the rest of Mack's 1.06m shares over the next few months.

Earnings setback at Zellerbach

By Our Financial Staff

NET PROFITS of Crown Zellerbach Corporation, the U.S. paper, packaging and wood products group, fell by 7.34 per cent in the third quarter of the year, to \$8.8m, or 23 cents a share, from \$33.1m, or \$1.30 a share, in the same period of 1979.

The decline came on sales up 6.1 per cent to \$78.6m, from \$74.1m. The company expects improved results in the fourth quarter, however.

The third quarter setback meant that for the first nine months of the year, the group suffered a fall of 37.7 per cent in net profits, to \$62.1m, or \$2.19 a share, from \$98.6m, or \$3.91 a share.

Sales for the nine months were up 9.8 per cent to \$228m, from \$208m.

Mr. C. R. Dahl, the chairman and chief executive, attributed the earnings decline to the recession, and to non-recurring costs of about \$16m associated with starting up a containerboard mill.

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Continued on previous page



FINANCIAL TIMES

Monday October 13 1980



KHORRAMSHAH IN RUINS BUT IRANIAN RESISTANCE FIERCE

Iraq widens oil province offensive

BY RICHARD JOHNS IN KHORRAMSHAH

TROOPS OF Iraq and Iran were fighting at close quarters in the city of Khoramshahr yesterday as the Iraqi high command prepared for what it considered the final assault on the strategic port.

The repeated refusal of the Iranian Government to consider peace talks or mediation so long as the Iraqi army is on its territory has compelled Baghdad to broaden the scope of its offensive and to accept heavy casualties in pursuit of a strategic victory in the oil province of Khuzestan.

In Khoramshahr itself, continuous bursts of small arms fire and the explosion of grenades resounded only 500 yards from the port which the Iraqis

now appear to have secured fully.

Small bands of Iranians are still fighting resolutely 16 days after Iraq claimed to have captured the city.

One mortar bomb fired by the beleaguered defenders landed beside the port and another smashed into the smouldering wreck of an anchored coaster. Other vessels, abandoned by their crews, give the docks an eerie appearance.

About 10 miles north of Khoramshahr the Iraqis have apparently succeeded in launching a flanking attack by establishing three crossing points on the Karun river before it divides into two channels.

The aim is to encircle both

Khoramshahr and Abadan, their two key objectives on the Shatt al-Arab waterway.

But they have not yet succeeded in crossing the main bridge leading to the oil refinery complex some 12 miles to the south-west.

An Iraqi colonel on the battlefield said the strength of the opposition and the fire they put down was too intense to allow his forces to push beyond the bridge across the main stream of the Karun river, which is about 100 yards wide at this point.

"We are sure we will cross in the next day or two," he said, "but it might take another week at least for Iraq to gain control of the Iranian bank of the Shatt al-Arab."

Surprisingly, Iraq has not yet committed its aircraft to the tactical support of its ground troops. It is relying more on heavy artillery which continues to pound the ruins of Khoramshahr.

On the approach road to the city, however, three dozen Iraq tanks rumbled forward to join the outflanking offensive.

Further north, Iraq said, its forces were attacking from the south and west. It claimed to have captured a radio station effectively destroyed a fortnight ago.

Dezful is reported officially to be under attack from three sides but Iraq is far from reaching its objectives 22 days after the war started.

On Saturday, meanwhile, Iraq announced the withdrawal of diplomatic personnel from Syria, Libya and North Korea. The move is short of a full severance of relations, according to the language of the broadcast statement which did not speak of "breaking" links.

Those with Syria were ruptured two months ago when Iraq expelled the whole of the Syrian mission in Baghdad alleging that the embassy was stocked with arms for saboteurs and poisons to be used to assassinate Iraqi leaders.

The border with Syria was not closed on Saturday and transit trade through Syria to Iraq continued. With the closure of its Gulf outlets and air space, the route is now vital for Iraq.

As if the squeeze on profitability caused by falling sales volume, high interest rates, strong sterling and fierce price competition were not enough, companies are becoming increasingly anxious about their tax bills. In recent weeks many companies reporting results have shown a steep increase in effective tax rates, with some times dramatic effects on attributable earnings. The reason for the rise is the general halt to growth in stocks and capital expenditure, reducing or eliminating the usual benefit of stock appreciation relief and capital allowances.

So far, most of the higher tax rates have emerged in interim figures, at which stage they represent little more than best estimates. Among the companies reporting higher rates recently are STC, which said that lower growth in stocks and work in progress meant its tax charge was moving up from 22 per cent of pre-tax profits to 40 per cent. The rate at Fisons has risen from 27 per cent to 45 per cent and at Freemans from 29 to 40 per cent.

A rise in the average rate of tax payable by industrial and commercial companies from perhaps 29 per cent last year (as estimated by brokers Phillips and Drew) to as much as 40 per cent would be had enough. But the jump is coming as companies give new emphasis to current cost profits. So Tootal, for example, is paying £2m of tax after incurring a current cost loss of £4m, while the historical cost rise in Delta Metal's effective rate from 40 to 51 per cent turns into a jump from 59 to 146 per cent in CCA terms.

It is only through the introduction of stock relief in the mid-1970s that the real post-tax return for industrial and commercial companies has kept more or less steady over the past decade—at—according to the record of England figures—about 4 per cent. So it is ironic that the stock relief provision is proving such a double-edged weapon to the current recession.

Nor did he think that today's extraordinary general meeting—required under the Companies Act—would be all that fully attended.

One well known figure who will be there, however, is Sir Fred Pontin, whose holiday camp operation was acquired by Coral a few years ago and who himself retired from the group's board last year with a payment of £200,000.

Although opposing the size of Mr. Coral's compensation, he commented: "One's got to accept that it is likely to be a fair accomplishment."

Grand Metropolitan is paying more than £80m for Coral which is now appealing against the loss of three London casino licences

generally he is payable nine months after the end of the accounting year.

Legislation in the latest Finance Act to postpone clawback of relief for a year—designed initially to cope with stock dips caused by the steel strike—looks like being of wide application due to the recession.

But the first 5 per cent of any decline in stocks is specifically excluded, and many large retailing firms remain vulnerable to full clawback due to the net indebtedness provision. It would be surprising to see the Government succumbing to pressure in the next Budget and extending the clawback postponement from one year to two.

Meanwhile, the Inland Revenue is due to release in the next couple of months the consultative document on Corporation Tax promised by the Chancellor in the Budget. The likelihood is that it will include a section on a permanent scheme of stock relief with the aim of enactment in the spring, spurred by the current difficulties of companies.

Current betting on the revised stock relief is for a cost of sales adjustment based on a small number of price indices, together with a monetary working capital adjustment. While this would bring changes in the incidence of tax in the various sectors, the aim is to leave the total tax bill unchanged. But as the higher tax demands loom closer, the illogicality of a system that continues to tax current cost losses could well become an important political issue.

Wells Fargo clearly believes that UK pension fund managers are at long last ready to come out of their closets—or at least, their trustees are. In a fortnight's time it will be launching two new unit trusts for UK pension funds, one of which will invest in the constituents of the

The drawback of clawback

FT-Actuaries, All-Share, Beta and the other in stocks making up the corresponding U.S. index of Standard and Poor's.

Indexed investment has become a powerful force in the U.S., being well-designed to cope with the requirements of U.S. pension funds. These are dominated by the ERISA legislation and ever worried by the threat of litigation benefits. Many U.S. fund managers have come to accept the argument that they can rarely expect to beat the performance of the broad market indices through the exercise of market judgment, however hard they try. And if you can't beat them, why not join them?

UK fund managers have generally maintained a preference for resistance to the blandishments of the indexers. The Schlesinger unit trust management group launched on a similar fund in late 1977, but so far it has attracted only £1.5m of institutional money. Some say, however, that underneath the resistance is wearing away as more and more managers admit that their core holdings barely change and have more than a tendency to mirror the composition of the index.

If any group can explain a change of attitude here it might be Wells Fargo, which has a big transatlantic position in the field. But a lot will depend on how the sales message goes across, and on what financial savings Wells Fargo can offer to trustees. More than a few closet indexers, charged standard fees and gently changing the funds, will be waiting with a degree of trepidation to see where Wells Fargo sets its management charges.

Coral Leisure

Shareholders at today's extraordinary meeting of Coral Leisure should press for further information before approving the proposed £300,000 payment to their chairman, Mr. Nicholas Coral, for loss of office following the agreed bid from Grand Metropolitan. It is clear that Mr. Coral had a right to substantial compensation in view of his service contract, which runs to the end of 1983 and brings a current salary of just over £42,000 a year. What is not at all obvious is how this has resulted in the agreement on a figure of £300,000. If this includes a significant ex gratia element, shareholders may well wonder how this relates to the company's distinctly troubled circumstances.

£500,000 buys an oilman's dream

By Ray Dafra

MR. ALGY CLUFF, one of the new breed of UK oil explorers, has bought Furze Island, just off the Dorset coast in Poole Harbour, for £500,000.

It is an attractive 38-acre island with a house, two cottages and a thriving colony of red squirrels. For Mr. Cluff it also has another attraction.

Furze Island is thought to lie above the geological structure containing the Wytch Farm oilfield.

Wytch Farm, jointly owned by British Gas and British Petroleum, is likely to be one of the most profitable fields in the UK. Its estimated recoverable reserves amount to 900 barrels.

Pleasure

It is significantly bigger than some commercial fields in the North Sea, and yet development costs are but a fraction of those for offshore fields. So far about £20m has been spent on exploration and development at Wytch Farm.

Mr. Cluff, chairman of Cluff Oil, maintains he has bought the island "for pleasure rather than business." But he admits that he is checking to see who owns the exploration rights on the island.

"It is a lovely island. I will certainly be living there," said Mr. Cluff, a 40-year-old bachelor with an eye for properties and oil concessions.

Apart from his home in Belgravia, London, he has a lodge with large grouse shooting moors in Aherdenshire and a country retreat on the cliffs of Dover.

Concessions

Last Friday, Mr. Cluff and his offshore partners presented to the Department of Energy their claims for the new round of UK exploration licences.

He is seeking seventh round concessions in the Moray Firth, off the east coast of Scotland, and in the English Channel.

"But I won't be using Furze as a service base or anything like that," said Mr. Cluff. "It is a wildlife area. Being a landowner in the area will make me particularly inclined to honour the local environment."

From Furze, Mr. Cluff will be in a good position to watch developments at nearby Wytch Farm. For, like the rest of the oil industry, he knows that as part of its "privatisation" plans the Government is considering selling off some or all of the British Gas Corporation's 50 per cent stake in the oil field.

Production from Wytch Farm began in March last year and is now running at 4,000 barrels a day—200,000 tonnes a year.

Algeria declares week of mourning for quake dead

BY ROBERT GRAHAM IN EL ASNAM

ALGERIA HAS declared seven days' mourning following the earthquake which devastated this city with a population of 110,000 last Friday.

Today new tremours shook the city as rescuers worked desperately to reach hundreds of victims who still appear to be alive.

Two days after the earthquake struck here recording 7.3 on the Richter scale, it is still impossible to obtain an accurate assessment of the casualties or damage.

Rescue workers say that there are many more bodies under the rubble than have been so far recovered. One small group of doctors near the main square spoke of 300 bodies being recovered by them in one morning alone.

In 1954 1,200 persons were killed in an earthquake in the city. Today there is talk of over 15,000 persons having been killed—possibly 20,000.

But El Asnam is by no means the sole town affected. The devastation spreads with varying degrees of severity in a radius of 40 to 70 miles from the town. Through the 180 kms of road which runs through rich valleys and low hills from Algiers to El Asnam, there is

a constant stream of ambulances with sirens screaming and lights flashing.

Two trains loaded with injured were sent early this morning from the area to Algiers. Other wounded are being evacuated as far as Oran in the other direction.

In 1954 1,200 persons were killed in an earthquake in the city. Today there is talk of over 15,000 persons having been killed—possibly 20,000.

Both the lobbyists and some Ministers are to consider the request this week along with other measures, including tax relief for small investors to encourage new companies, which might offset the impact of the recession.

One well known figure who will be there, however, is Sir Fred Pontin, whose holiday camp operation was acquired by Coral a few years ago and who himself retired from the group's board last year with a payment of £200,000.

Small business Minister urged

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE PRIME MINISTER is to be urged to set up a small business section of the Cabinet Office under a Minister of State who would be responsible directly to her, independent of other Government Departments.

The Cabinet Office would take over various small business responsibilities at present operated by the Departments of Industry and Environment.

It would also set up an "office of advocacy" which would vet all existing and proposed legislation and would lodge complaints with the Prime Minister when it felt the interests of small businesses were at risk.

The plan has been developed by the Conservative Party's

small business bureau. It has been lobbying Ministers and is now trying to influence Mrs. Thatcher, arguing that small businesses need a strong central voice in the Government.

Lobbyists working through the Union of Independent Companies, a small firms' representative organisation, have also been asking the Government to introduce a clearing bank loan guarantee scheme.

Ministers are to consider the request this week along with other measures, including tax relief for small investors to encourage new companies, which might offset the impact of the recession.

Proposals for setting up a U.S.-style Small Business

Administration have been discussed for some years. They have been resisted in Whitehall where individual departments are jealous of their spheres of influence. The present Government is also opposed to setting up "quangos" such as the American body.

But Ministers are now searching for ways of placating small business interests which have considerable sway in the Conservative Party.

Both the lobbyists and some Ministers believe that the Government may be prepared this winter to consider reorganising the often overlapping services it provides for small businesses.

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TUC warning

will be Mr. Prior's proposals to alleviate the jobless crisis among school-leavers.

The new scheme, to be published next month, will include improvement and expansion of the youth opportunities programme guaranteeing any school-leaver unemployed for three months or more a training place or job opportunity. The total cost could exceed £300m.

The Treasury is prepared to take these measures but only if compensating economies are produced in Whitehall. Labour and union leaders fear this

could mean a further cut in employment and in services.

No decisions have been reached but prime targets are expected to be the higher education budget and the health service. New charges for hospitals and higher prescription charges are under consideration.

Any more cuts in public spending—and it was to this area that most pressure was exerted on Ministers at the Tory conference—would be certain to sour further the tense relationship between Mrs. Thatcher and union leaders.

The Chancellor's only objective reference to the miners' pay claim was to say that if the coal industry paid out excessive wage settlements and tried to recoup the cost through higher prices, demand would fall, customers would go abroad and jobs would be lost.

Production from Wytch Farm began in March last year and is now running at 4,000 barrels a day—200,000 tonnes a year.

BY CHRISTINE MOIR

WELLS FARGO, the eleventh largest bank in the U.S. and a leading manager of institutional funds, is planning to introduce U.S.-style passive fund management to the UK.

It plans to launch, on November 4, two unit trusts for tax-exempt pension funds and charities. Money invested in the trusts will be used to buy a portfolio of shares which exactly matches the Financial Times Actuaries All-Share Index and the Standard and Poor's equivalent index for U.S. stocks.

Minimum initial investment in the trusts—the first pure index

funds to be launched in the UK—is to be £500,000 for the FT-A fund and \$1m for the S and P fund.

The concept of "investing in the index"—building up a portfolio of equities which mirrors the composition of the All-Share Index and therefore, theoretically, performs in line with the index—has become popular in the U.S.

Studying the U.S. persuaded many fund managers there that it is difficult, if not mathematically improbable, to out-perform the index by active management.

Well Fargo believes that UK fund managers may be ready openly to augment those core holdings by units in a fund identical to the index.

ment of a personally selected portfolio of shares.

As a result, there has been a tendency to "index" funds—invest new money passively according to a formula which mirrors the index.

According to Mr. Gary Hewitt, the London director of Wells Fargo responsible for the new trusts, the U.S. experience shows that funds which begin indexing tend to commit increasing amounts of money to it.

"When they find an indexed fund returns exactly what has been promised while conventional money managers produce

an erratic performance, they develop an increasing understanding of the potency of it," Mr. Hewitt said.

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